

**"The Cash Crunch: the Financial Challenge of Long-Term Care
for the Baby Boomer Generation"**

Hearing of the Senate Special Committee on Aging

Statement of Senator John Breaux, Ranking Member

March 9, 1998

Thank you, Mr. Chairman. A key part of our agenda during this entire Congress has been educating the public about the financial strains that will face Medicare and other programs benefitting older Americans when the massive baby boom generation begins to retire.

I just chaired an Aging Committee field hearing in my home state of Louisiana about three weeks ago where we focused on this very topic. We had the heads of Social Security, Medicare and Medicaid and the Administration on Aging with us in the Old State Capitol building in Baton Rouge to help educate the public about the challenges we are really facing here as life expectancies continue to increase and more and more of us retire. Demographically, America will look very different in the next century than it does today.

Consequently, programs like Medicare will have to adapt to the new demographic realities if we expect them to be here for future generations. With roughly 77 million members of the baby boom generation beginning to retire as early as 2010 -- just a dozen short years from now -- we will see enormous strains placed on the Medicare program and our overall health care delivery system.

Since the average life-span for men and women is increasing, many baby boomers will require long-term care at some stage in their lives. Since these baby boomers will hopefully be Medicare beneficiaries, this means that millions more Medicare recipients will depend on long-term care than today. And since the program doesn't cover much of the cost of long-term care, the cost will have to come out-of-pocket, through private insurance or through the Medicaid program.

This hearing will attempt to look at the economic implications of baby boomers who will have to turn to long-term care somewhere down the road. While most of our debates and hearings so far have understandably focused on the financial solvency of the Medicare program itself, it is also necessary to look at and evaluate the effects these strains on our health care system will have on individuals' and families' pocketbooks.

A report issued by AARP last week shows that out-of-pocket spending for health care is already a burden for many Medicare beneficiaries 65 and older. In some cases, more than one-third of their yearly income goes for out-of-pocket health care costs, above and beyond what Medicare currently covers.

While the AARP study focuses on those below the poverty line who do not receive Medicaid, the broader implications are clear: If out-of-pocket health care costs are already reaching such high levels in one segment of the population, these costs will only increase as the Medicare-eligible population increases and as the population ages and requires more long-term care services. And since long-term care is so expensive, many baby boomers who are otherwise economically secure now could find themselves in the same situation as this group studied by AARP.

As our Medicare reform commission gets down to serious business -- we had our organizational meeting

on Friday -- the one truth all of us can agree on is this: Medicare, as it is currently structured, cannot absorb 77 million new beneficiaries, much less begin to take care of the costs of the baby boomers' long-term care needs. Even those who are relatively well-off economically will have to plan carefully in order to manage long-term care costs not covered by Medicare.

Our panels today will help us focus on the challenges of financing long-term care, options for private long-term care insurance and ways to reform the way such care is delivered. I look forward to hearing their testimony as the committee starts to take a more detailed look at what the retirement of the baby boomers means for the Medicare and Medicaid programs and our entire health care delivery system.