

Testimony of David W. Hood
Secretary, Louisiana Department of Health and Hospitals

I. Introduction

Senator Breaux and members of the Committee, thank you for inviting me to testify about issues facing older citizens in Louisiana, and the challenges before our State in meeting the changing needs of today's aging population.

As the head of the agency most responsible for setting health care policy and administering services in Louisiana, let me begin by briefing you about the overall state of health care in Louisiana. During the administration of Governor Mike Foster, the State of Louisiana has made significant strides toward improving health care for the citizens of the State. The first, and perhaps most important step, was to establish a solid base of financing in order to provide and enhance the health care services needed in Louisiana.

This was accomplished in the first year of this Administration when we had to balance our budget with one billion dollars less in federal funding than the previous year ... 1996. We have now stabilized our budget, while at the same time we focused our resources on programs and services that provide the most appropriate care and the best health outcomes to those we serve.

Since then, the thrust of our efforts have been to decrease the rate of uninsured children in Louisiana, and improve and increase services for our citizens with disabilities. In both of these cases we have been successful - we have created one of the nation's best Children's Health Insurance Program (LaCHIP) and we have made more community-based services available to people with disabilities.

Most recently, we have developed a comprehensive plan to *Fix the State's broken health care system* by increasing access to primary care to improve health outcomes. This is important because almost all health care in Louisiana centers around institutions ... including services for the elderly ... while the health care delivery system has moved increasingly to out-patient and community-based settings as a result of technological advances and financing changes.

But, the focus today is long-term care, and the challenges we face in Louisiana in order to develop a comprehensive continuum of long-term care for the citizens of our state.

I am pleased to be here today to testify about the state-of-the-state of long-term care in Louisiana, the steps we are taking to improve the system, the challenges we face, and make recommendations that we believe are necessary to help states such as Louisiana.

II. Profile of Louisiana's Population (Age and Income)

Louisiana's aging population is not unlike that of the rest of the country. People over age 65 represent 11.6 percent of our total population, compared to 12.4 percent nationally. Our elderly population is also growing at a rate currently a little less than the national average - 10.2 percent compared to 12 percent.

But, it is anticipated that this rate will accelerate so that by the year 2020, the elderly population will increase by nearly 60 percent (over 300,000 more people).

The income levels of our citizens is an area where we see significant differences between Louisiana and many other states. By almost all measures, Louisiana's elderly are among the poorest and most

vulnerable in the country. According to federal statistics, the percentage of older people with incomes below the poverty level is second highest in the nation.

The difference between Louisiana and the national average for poverty rates for seniors is almost double - 24.1 percent in Louisiana versus 12.8 percent nationally. And, we do not expect this statistic to get better. In fact, it is just the opposite - as our population ages, the number of those people living in poverty is expected to increase. This is also true for elderly people with disabilities.

What does this mean?

- First, we have a high proportion of people who are eligible for Medicaid. Louisiana is third in the number of elderly citizens receiving Medicaid (20 percent in Louisiana versus 11.2 percent nationally.)
- We have a high proportion of our elderly citizens who live alone.
- We have the second highest demand for publicly-funded long-term care.

III. The Changing Demographics

In less than 15 years, the Baby Boomers born between 1946 and 1964 will age into the status of senior citizens. As this incredible volume of Louisiana residents join the ranks of the elderly, the working population needed to support this fast growing older group will, instead, be declining.

When compared to other states, Louisiana is not gaining population at the same rate. In fact, for our younger, educated citizens who are seeking opportunities outside the state, the population is getting smaller. They are leaving to attend colleges in other states, with the likelihood that they will not return, or they are leaving for better paying jobs in other states once they complete their education.

Changes in the modern family structure will also have an impact. No longer is the two-parent, two-child family the norm. Census 2000 statistics show more single-parent families than two-parent families in Louisiana. As they age, these single parents who do not have family supports in place will face greater reliance on publicly-funded health care. Also, the increasing "never-married" population will not have the traditional family supports.

Research suggests that the two most important resources for Baby Boomer to take into their later years are income and education. But in Louisiana, these are scarce resources. Compared to Baby Boomers nationwide, that same group in Louisiana has lower household incomes and lower education levels.

When these facts are combined with the outward migration of an able-bodied, well-educated workforce, the increased life expectancy, high poverty rates, expenses associated with aging, increased health care costs and other factors, Louisiana is facing a critical future when it comes to caring for our older citizens.

IV. Louisiana's Health Status

Compared to rest of the nation, Louisiana continues to rank near the bottom for most key health indicators. Adjusted for age, we rank first in the death rates for diabetes and cancer, and we rank in the top 10 for other chronic diseases such as heart and cerebrovascular diseases.

As I mentioned earlier, over the past six years, we have taken some significant steps to address these poor health statistics, but these long-term strategies ... especially those targeted to our children ... will take time to show results.

There are a number of factors that contribute to our poor health status. Of course, our high poverty rate is the key factor. Other factors include:

- A continued lack of access to primary care - 2nd to worst in the nation.
- A high rate of uninsured people.
- The fourth highest rate of people who rely on public insurance (Medicare and Medicaid).
- Very poor lifestyle factors: high rates of smoking and obesity, poor diets, poor rates of exercise.
- And, we're ranked 44th in the percent of people covered by private insurance.

V. Current Long-Term Care Resources

The current state of long-term care in Louisiana revolves around nursing homes. Although other options exist, such as assisted living facilities, home and community-based services (waivers) and home health care, Louisiana still relies on nursing homes to almost the near exclusion of other options.

According to the Administration on Aging, overall, Louisiana has a rating of "below average" for its progress toward a Home and Community-Based Services system.

"Louisiana has a very high public demand on long-term care services. The state has the second highest number of nursing home beds per 1000 age 85+ in the nation; however, nursing home occupancy levels and resident acuity levels are both very low."

Although we are making progress in this area, the above statement is true. In Louisiana, older residents who might only need intermediate care have few options other than admission to a nursing home.

In the Medicaid program, nursing home expenditures account for nearly \$500 million yearly. Until it was recently eclipsed by the pharmacy program, for years this consumed the greatest portion of all Medicaid spending in Louisiana. As the chart below indicates, nursing home expenditures greatly exceed spending for all other community-based services for the elderly combined.

Medicaid Spending on the Elderly and MR/DD Clients
(March 2001)

Category	1992/93		1995/96		1999/00		2000/01 *	
	Spending (in millions)	People Served						
ICF/MRs (group homes)	\$166 million	N/A	\$159.5	3,786	\$169.9	3,602	\$175.1	3,627
Nursing Homes	\$500.4	N/A	503.4	26,206	491.9	25,197	490.9	24,621
DHH Long-Term Care Facilities	\$14.5	442	\$17.7	436	\$19.7	424	\$19.6	394

State MR/DD Centers	N/A	N/A	\$140.9	1,982	\$172.2	1,737	\$157.2	1,710
MR/DD Waiver	\$8.02	N/A	\$39.4	1,900	\$93.7	3,495	\$128.5	4,251
Elderly Waiver	0	0	\$2.5	156	\$4.08	366	\$4.9	679
Adult Day Waiver	\$1.3	N/A	\$1.4	217	\$2.23	328	\$2.4	500
PCA Waiver	N/A	N/A	\$1.5	115	\$1.8	113	\$1.8	121

* projected for end of FY 2000/01

Although we have made small strides in providing more home and community-based care for our senior citizens, Louisiana still lags behind most other states. According to a study done by researchers at the University of California for the Health Care Financing Administration (1997 data):

- Louisiana ranks 49th of the 50 states in using home and community-based care services. But, since that time, we have expanded our use of the program for people with disabilities. We still need to provide more of these same opportunities to our aging citizens.
- Louisiana spent \$109 per capita on nursing home expenditures versus only \$1.33 per capita on community-based services.
- In 1995/96, we served 26,206 people in nursing homes but only 488 in the community.

Because of this over-reliance on nursing home care, there is an oversupply of nursing home beds while there are people who must wait years for community-based services.

Assisted living for Medicaid patients is still on the drawing board. Although we have developed an assisted living project, funding deficits in the Medicaid program did not allow this program to be implemented.

Also, changes at the federal level resulting from the Balanced Budget Act have greatly reduced the number of home health agencies operating in Louisiana. Home health is a vital component of the continuum of care for elderly citizens who do not want to utilize a nursing home when they get older and need some assistance in daily living activities.

VI. Future Needs and Demands for Long-Term Care

For many elderly citizens, nursing homes have been the only option in Louisiana. And because there has not been a hue and cry from the elderly community, elected officials and policymakers have been slow to seek out and fund alternatives. This is about to change. Baby boomers represent a generation of people who are used to getting what they want, and they are demanding choices so that they can remain independent as long as possible.

This fact is readily apparent in the private pay arena where assisted living facilities are springing up like fire ant mounds after a good Louisiana rain. Although they are expensive, there is a great demand.

In addition, we anticipate demand for private rooms, assistance in the home, transportation for the elderly who live in rural communities and foster care for the elderly,

But for lower income Louisianians ... for most Louisianians ... these are not options.

VII. Recommendations

The challenge for Louisiana, as well as for the rest of the nation, is to get ready, and get ready quick, in order to meet the needs of our aging citizens. To some degree, we are getting ready. The Supreme Court's Olmstead ruling demands that states make community-based services not only a choice, but a reality.

In Louisiana, we are making some progress:

- Just this past Legislative Session, lawmakers approved a measure that requires advocates, policymakers, and health care providers to work together to plan for community-based alternatives and end Louisiana's institutional bias.
- We were also successful in getting help from Senator Breaux for additional federal funding that has allowed us to expand community-based services for the elderly. Over the next 12 months, our slots for community-based service will increase from 500 to ???
- Our BluePrint for Health plan to fix the State's health care system is designed to decrease the institutional bias in Louisiana. When fully implemented, we will have a healthier population that has greater access to primary care, and to more community-based services.
- We are examining the federal Program for All-Inclusive Care for the Elderly (PACE) that provides some community-based services and nursing home alternatives. Unfortunately, this program that pools Medicare and Medicaid funds relies on a managed care model, but Louisiana does not have much managed care penetration.
- We have applied for a Real Choice Systems Change grant that will allow us to accomplish the planning necessary to adapt Louisiana's long-term care system to the needs of the future by enhancing the infrastructure for community-based services.
- We must seek the funding, and then begin to implement the recommendations of the Medicaid Assisted Living Task Force.

Meaningful change will also require federal intervention. Both Medicare and Medicaid were implemented in 1965, and for most intents and purposes have not changed significantly over the past 35 years. And, as I have pointed out, Medicare and Medicaid are designed on the medical model or institutional standard of care that is quickly becoming outdated.

Both Medicare and Medicaid must be restructured to conform to the changing health care needs of our citizens, as well as to conform with the changing demographics of society ... more elders living alone, lower birth rates that mean we'll have fewer able-bodied adults to support the aging population, more one-parent families.

Should such a comprehensive restructuring take place, I would urge Committee members to see to it that changes occur within both programs. Attempting to only reform Medicare will result in significant and costly impacts to Medicaid, and therefore, to the budgets of all 50 states. Reform must be programmatic as well as fiscal to ensure the solvency of the Medicare Trust Fund while also maintaining the mission of providing care for our most vulnerable citizens.

You could also assist the states by considering enhanced match rates for long-term care and other services not covered by Medicare. Just as you have done with children's health insurance, enhanced match rates will make it more attractive for states to enact meaningful change in how they provide long-term care, especially community-based options.

Other recommendations include:

- Additional funding for research, planning and alternative policy.
- Support for workforce development initiatives that will assist in recruiting, training and retaining workers to provide long-term care services (such as nursing, personal care attendants, and others).
- Modification of Social Security earned income limits to permit the elderly to work to meet their own needs.
- Reauthorization and restructuring of the Older Americans Act (Title II).
- Reforms targeted at long-term care insurance (greater uniformity in benefits, greater affordability including subsidies for low and moderate income families, greater access through employers).
- Tax credits for caregivers, long-term care savings accounts or the purchase of long-term care insurance.
- Encourage affordable housing options, including paying room and board for nursing home alternatives.