

Governor Dean's Testimony

Senate Special Committee on Aging

June 20, 2002

Thank you for inviting me today to speak on behalf of the National Governors Association.

As this Committee well knows, the state Medicaid programs bear most costs of long term care for our seniors and adults with disabilities, through nursing home care, Medicaid Waiver programs and various state plan Medicaid services. These costs are increasing dramatically. Our current model of long term care is unsustainable for the future. We must make very significant changes if we are to meet the challenges of the future.

I suggest a new paradigm with two major elements:

First, shift our public policy away from providing institutional care and more towards home based services.

Second, dramatically change the state and federal partnership for long term care and the Medicaid program.

Let me talk about the institutional bias in long term care first. Nursing home care is an entitlement under the Medicaid Program while people who would prefer to be on the Home and Community Based Waiver program must wait, often for a long period of time, on waiting lists. This means that elderly and disabled Americans are entitled to receive the highest cost and least desirable service, yet they must wait in line for the cheaper and more desirable service. There is something very wrong with this picture. Imagine a person with early signs of heart disease. His doctor's first interventions likely will be to recommend changes in diet, exercise, monitoring and perhaps some medication to manage the condition. The doctor is not likely to recommend a quadruple bypass as the first option. Yet, when it comes to long term care, we put the most expensive and least desirable service first.

This calls for a complete paradigm shift. We need to treat nursing homes and other institutional care as the last option, after all other options have been tried and failed. In our current system, expensive nursing home care is often the first option. Experience has shown that we can serve many more people with the same funding, and serve them in the setting they prefer, when we are able to keep them at home and avoid institutional costs.

Perhaps more importantly, we can provide a higher quality of life by avoiding institutional services whenever possible. People who need long term care want it to be provided at home. No one wants to spend their last days or even years surrounded by

strangers, separated from their families and friends, enduring constant changes in staff and regular changes even of the people who share their nursing home room.

The states are showing today that this can be achieved. It is no longer just a dream. Over the past twenty years many new and innovative services have developed around the country. Nationally, nursing home occupancy rates are dropping as consumers are given other options. Consumers are demanding more alternatives and rejecting institutional care. All we have to do is listen to them and follow their lead. If we do, we will have a better system of care and one which provides for more people for the same dollars.

Consumers want more control over their long term care services. They want to be able to direct their own care and hire their own caregivers whenever possible. They want to remain in their communities and participate in community life. Even if they can't remain in their own homes, they want care that resembles the care they would receive at home: caring, individualized and flexible care. The flexibility that consumers want doesn't cost more; in most cases, it actually costs less.

If states are freed from the yoke of paying so much for institutional care, they can dedicate some of the saved dollars to other non-traditional forms of care, and to preventive care. We believe that many people do not receive the care they need until their conditions have worsened to the point that they need institutional care. We believe that if states were given the flexibility to manage long term care differently the states could identify elders and adults with disabilities sooner who, with some support, could prevent more expensive care in the future. We believe we could prevent not only nursing home care but many expensive hospital stays.

All this is doable if we shift the paradigm away from institutional care. Even with the initiatives coming from the administration today which foster choices and alternatives, there will be too little progress until Congress acts to limit the institutional bias and create a level playing field between nursing home care and home based care. We will still need quality nursing home care for the foreseeable future. But we can maintain the necessary level of needed nursing home care while growing home and community based services if Congress will give the states the tools. We do not need more Waivers; we need the authority to cap nursing home expenditures at a reasonable level and re-direct funds to the alternatives that consumers tell us they want.

Some people insist we will need more nursing homes. They are wrong. Baby boomers today are looking for alternatives for their parents. By the time the baby boomers need long term care, and that is 20 to 25 years away, they will expect, even demand other options. We can't afford to protect the status quo. We need to listen to our people and act boldly to develop those services they want and which are more affordable.

That doesn't mean we will not need some quality nursing home care for the foreseeable future. We will and we need to do everything we can to ensure that it is of the

highest quality. However, we need to find the right balance - a balance that does not exist yet.

This will not be an easy transition. There are still significant problems finding enough caregivers and accessible housing. However, many states are developing new approaches to these problems as well. Which brings me to my second major point.

It is time to rethink the federal and state partnership for long term care financing. I propose that the federal government take over the financing of all long term care services. This would work for several reasons.

First, today the federal government funds various long term care and related services through Medicaid, Medicare, the Older Americans Act, the Social Services Block Grant and other funding streams. There are many possibilities for reorganizing the funding for these services into a more comprehensive and flexible program.

Second, the federal government could establish a basic outline, or set of services so that all Americans had similar opportunities to receive the long term care option of their choice. This could be done without sacrificing the flexibility states need to be innovative.

Thirdly, it could create the opportunity to meld Medicare and Medicaid funding for long term care into one program. The current system confuses everyone, from consumers to providers. Given the opportunity, states could manage the funds and services to the so called "dually eligible" population and, in all likelihood, save the federal government money. Or, as I have said, serve more people for the same dollars.

We believe this change could help the states, in partnership with the federal government, manage the costs of long term care while, through flexibility and innovation, shift the paradigm to home and community based services.

In return, the states would accept responsibility for the Medicaid and health insurance costs for other constituents, especially children.

This new partnership would help all parties. Responsibilities would be clear, and not murky and contradictory as they often are today. Savings in a given arena would devolve to the governmental entity responsible for them. Programs and services would be unified and better coordinated.

This new partnership could begin with a new paradigm on long term care. Until and unless we make that change, the costs for long term care will continue to grow and states will be hindered from reigning in costs or improving services by federal law and the inherent institutional bias.