



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

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STATEMENT

BEFORE THE

SENATE SPECIAL COMMITTEE ON AGING

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SECRETARY

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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Good morning, Chairman Breaux, Senator Craig, and distinguished Members of the Senate Special Committee on Aging. Thank you for this opportunity to speak before you today regarding the Administration's efforts to address the long-term care needs of our nation's elderly and disabled.

At the turn of the 20th century, life expectancy at birth was 49 years. In the course of one hundred years, we have added nearly thirty years to the life expectancy of a newborn. Think of the changes witnessed by a person who was born in 1900. There are indeed about 65,000 people age 100 years or older. Now consider that Medicare and Medicaid have been around for about one-third of their lifetime. Yet the fundamental design of these programs has not really changed in the past 35 years. Yes, Medicaid will pay for your care in a nursing home, but if a state wants to pay for non-Medicaid services that may help keep families together such as respite care, it has to come to Washington for a waiver.

It is past time to modernize the Medicare and Medicaid programs. To address the needs and innovative care options of the 21st century, fundamental improvements in these programs are overdue.

Long term care used to mean nursing homes spending for the elderly exclusively. But today, home and community care spending accounts for one quarter of total Medicaid long-term care expenditures. There are now more choices than ever before for persons who are elderly or have a disability. Helping individuals stay in their own home for as long as possible is generally the best choice for beneficiary and taxpayer alike. The states are operating about 250 home and community-based waivers that serve more than one million individuals at a federal cost of approximately \$7 billion. But, as I said, to do these things, states must apply for waivers. And the waivers themselves are time-limited.

Government must do a better job of preparing for the future. Tax incentives, home and community-based waivers, state-level buy-in programs – all of these are important components of any discussion on long-term care solutions. New proposals such as those outlined in the President's New Freedom Initiative will give our elderly and disabled the freedom to participate more fully in the community and the workforce – a goal that is shared by all.

Impact of the “Baby Boomers”

The members of this Committee know so well the statistics about the rapidly rising growth in the number of Americans who are aged 65 years and older. Today, the 35 million people aged 65 or older account for about 13 percent of the total population. It is projected that by 2030, one in five people will be age 65 or older. Preparing for the future requires us to rethink the strategies of the past. Innovative approaches to long-term care service delivery have the potential to preserve the independence and the quality of life of our seniors in a most cost-efficient manner.

Even though the first of the baby boom generation will turn 65 in 2011, the likely use of nursing homes does not really begin until a person reaches age 75. But the impact of the baby boomers is already being felt, as they are demanding access to care and more choices for their parents.

Government now provides nearly 60 percent of the funding for nursing home care. The ability to provide cost-effective care in a manner that maintains the high quality of services and preserves individual dignity will become increasingly important as our Baby Boomers continue to age. Community based care as an alternative to placement in institutions clearly presents the potential to save the individual, the family, the taxpayer and the government money. Working towards developing and implementing such systems prior to the retirement of our Boomer Generation will allow us to both maximize and leverage our current and future resources.

Quality of Care in Nursing Homes

While today’s hearing is focused on community-based alternatives to nursing homes, it is appropriate to touch briefly on the subject of nursing homes as well. Nearly three million Americans spend at least some portion of the year in our nursing homes. We all want to be assured that our vulnerable senior citizens are receiving quality care. Today, I can give you a glimpse of the progress we have found in compiling the second annual report on nursing home quality that will be released later this year.

There is no question that the nursing home industry has been struggling in recent years. The industry has faced a number of challenges, but there seem to be a number of positive emerging trends on a few quality indicators.

- Since 1998, there has been a 35 percent decrease in the proportion of deficiencies for care problems resulting in actual harm to nursing home residents.

- Nursing homes cited for immediate jeopardy represent fewer than two percent of all nursing homes.
- Improper use of physical and chemical restraints has declined.
- The prevalence of involuntary weight loss is on a downward trend.

This news is indeed encouraging and we want to continue to build upon these trends.

Worker shortage will continue to be a major pressure point on the long term care industry generally and especially the nursing home industry. We must look for creative solutions to this problem, in addition to improved methods of recruitment and retention in nursing homes and for care in the community.

Currently, we are planning to undertake a collaborative effort with states, foundations, and several other stakeholders to develop innovative ideas to address the issue of worker shortage in community care settings. We are also working to identify and publicize promising state-developed practices.

For example, in Wisconsin, we have successfully utilized “single task workers” for several years in situations that are safe and appropriate. Today, I am announcing that the Centers for Medicare and Medicaid Services will provide administrative guidance to the states that will enable greater use of single task workers in transporting nursing home residents from one area of the facility to another. CMS will also issue a proposed regulation to address other types of single tasks as well.

New Approaches to Community-Based Care

Despite the benefits of community-based long-term care, the states still face some barriers in the development and implementation of such a service delivery system, including the Medicaid program itself. It has been said on a number of occasions that the Medicaid program has an inherent “bias” towards institutional care. There is no question that law requires that each state offer nursing home services under the Medicaid program, while allowing states the option of providing community based services. The good news is that, working together, the states and the federal government are making real progress in developing and offering community based services with these services outstripping institutional growth every year.

A critical component of developing a community-based system is making it both manageable and understandable. One particular area that is receiving a great deal of attention but as of yet, not much action, is serving the population referred to as the “dually eligible.” These aged or disabled individuals are eligible for both Medicare and Medicaid. The 6.4 million individuals who are enrolled in both

Medicare and Medicaid represent only 19 percent of the Medicaid population but account for 35 percent of Medicaid spending.

States are interested in learning more about how to make all available services work together in the community, and do so in a fashion that will make sense to an elderly person or an individual seeking public help for the first time.

As Governor of Wisconsin, I had the opportunity to pilot one such approach – the Family Care. In order to redesign our state’s long-term care system, I signed legislation that introduced the Family Care benefit to our Medicaid program. This program offers state coverage of long-term care services for Wisconsin elderly and other adults with physical or developmental disabilities. Aging and Disability Resource Centers will be established in each participating county, where seniors and others eligible for the benefit can obtain program information, seek counseling, and be enrolled in a Care Maintenance Organization – the entities responsible for managing the benefit.

The goal of Wisconsin’s new program is to keep seniors in their community longer, involve them more in the decision-making process regarding their care, and reduce the costs to both families and the state for long-term care. Family Care allows seniors to choose their care setting – be it at home, in an assisted living facility, or in a nursing home – and integrates personal, family and physician assessments into a care plan individualized for each senior. Its principles are simple: (1) give people the information they need to make decisions about their lives; (2) do it in a way they can understand, and do it in a “one-stop shop” so that they don’t need to run around; and (3) make the funds flexible so that they follow the person to the most appropriate setting, paying for what the person wants.

Also embracing the merits of providing our seniors with care in the community is the Program of All-Inclusive Care for the Elderly, commonly known as the PACE program. Operating from a managed care model, these programs provide comprehensive, high quality medical, social and long-term care services to frail elderly persons eligible for nursing home care to maximize their autonomy and continued community residence.

Further examples of community-based care can also be seen in Florida, where managed long-term care delivery models are being piloted to provide individuals with feasible alternatives to nursing home care. Project services are based upon the needs of each project participant, and are designed to maximize home and community-based alternatives. Additionally, Florida is piloting the CARES program – Comprehensive Assessment and Review for Long-Term Care Services. This is a nursing home pre-

admission assessment program, where a CARES nurse or social worker, as well as a physician, assesses persons applying for Medicaid nursing home care prior to approval. The goal of this program is to prevent unnecessary or premature admission to a nursing home.

States are also interested in ensuring this system is a responsive one – one in which available funds will follow the person to the most appropriate and cost-effective setting of their choice. Today’s systems are not designed in this way. However, we are currently working with states – such as Florida, Wisconsin and Michigan – to pilot waivers that allow for a more coherent system.

Finally, we should support those families who are today providing the majority of long-term assistance to their loved ones who require help due to injury, accident of birth, disability, or long-term illness. Their efforts are providing those in need with what is usually the best care available. I am pleased with the new Caregiver Support Program recently announced by our Administration on Aging, and I hope that our efforts with community-based long-term care will continue to reveal additional ways that our federal policies can be made more family-friendly.

An Early Start to Long-Term Care Saving: Tax Incentives

Personal savings are going to become an increasingly important component of long-term care financing as our elderly populations continue to grow. We must take steps today that will encourage people to start saving for tomorrow. To that end, the Administration has developed a pair of tax proposals that will: (1) induce people to begin investing in long-term care; and (2) reduce the financial burdens that providing in-home long-term care is placing on family caregivers.

Specifically, the President has proposed that individuals be allowed to deduct the cost of purchasing eligible private long term care insurance. This will provide an additional incentive for individuals to take greater financial responsibility for their long-term care needs and will further encourage the use of long-term care insurance. With the incorporation of tax deductibility for policies that meet eligibility standards, quality long-term care insurance will play a larger role in the financial security of older Americans. By making such incentives available, more employers will join the trend in offering long-term care benefits to their employees. This concept recognizes that individuals have a responsibility to plan for their future, and empowers them to do so with the help of their employers. Also, employer-sponsored long-term care plans would be subject to ERISA and the protections it affords participants and beneficiaries.

Additionally, the Administration has proposed that taxpayers be allowed to claim an additional personal exemption for providing long-term care services to qualified family members who live in the taxpayer's home. Providing such an exemption would recognize the formal and informal costs to family caregivers that provide long-term care.

Conclusion

Given the many steps that must be taken before a community-based long-term care system can be fully implemented, it is vital that we begin our partnership with the states immediately. We can shift our focus and our resources away from automatically placing people in institutional settings and towards empowering those who are able to reside in settings that are community-based. And, this is a transition that our citizens support.

Community-based care can be tailored to the needs of the individual, as well as maximize the independence of our elderly and disabled. Further, it can alleviate some of the burdens that our family caregivers are currently facing, enabling more individuals to remain in their homes. We have taken important steps in helping our states transition to community-based care, and I look forward to working on a bipartisan basis with this Administration and this Congress as we begin to equip our states for such a shift.

At this time, I am pleased to answer any of your questions.