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Your Money

Plan on Growing Old? Then the Medicaid Debate Affects You

By RON LIEBER JUNE 30, 2017

These are the stories we tell ourselves: I will never be poor. I will never be disabled. My child will develop normally. They stand a decent chance of being true, even.

There is one tall tale, however, that ought to inspire a great deal of skepticism: I will be able to pay for myself in my old age.

In fact, a majority of people cannot and do not. One in three people who turn 65 end up in a nursing home at some point. Among the people living in one today, according to the Kaiser Family Foundation, 62 percent cannot pay the bill on their own.

And when that happens, Medicaid pays. The very Medicaid program that stands to have hundreds of billions of dollars less to spend if anything like the health care bills on the table in Washington come to pass. All too many of the currently comfortable are utterly unconscious of this fact, for reasons that are perfectly understandable. We assume, incorrectly, that Medicaid is only for the younger poor or those with disabilities and that Medicare will pay for most nursing home care. Emotionally, we just cannot handle the prospect of our breaking down in old age. So we put our heads in the sand.

Reality forces our hand, however, when the first nursing home bills arrive. The average annual cost is $82,128 for a semiprivate room, according to Genworth, which sells insurance that can help pay those bills. Most people can't pay that amount and certainly not for long, especially after 10 or 20 years of retirement spending. If a spouse (a male spouse, more often than not in heterosexual couples) has already needed years of expensive care, the other partner is all the more vulnerable.

Ask around. Someone you know has quietly faced these facts and probably turned to Medicaid. Chances are, you, a family member or a close friend will someday, too.

So we tune out the health care policy debates at our own peril. The proposed cutbacks in the growth of Medicaid spending do not just affect the expansion that has taken place in recent years. They propose new per-capita caps on spending.

While the haggling over the calculations continues, it is hard to predict or quantify how painful the cuts will be for seniors compared with children and adults who are poor or have disabilities. Each state will have some discretion over which of its populations bear the brunt of any cuts. The Congressional Budget Office did suggest on Thursday that Medicaid's budget could be 35 percent lower by 2036 if the Senate's most recent proposal were to take effect, rather than if the status quo remained.

So if anything like the proposed cuts come to pass, the impact will be meaningful. In addition to nursing homes, Medicaid may also pay for home- and community-based care for older adults, and H. Stephen Kaye, the director of the Community Living Policy Center at the University of California, San Francisco, recently examined how much less might have been budgeted for those services and others for people with physical and other non-developmental disabilities if the House bill's caps had been in existence from 2001 to 2013. His estimate? Roughly 25 percent, a staggering figure for people who use those services to keep themselves out of nursing homes in the first place.

How does this all trickle down to an individual? First, you need to qualify for Medicaid. This will depend on your income, assets and condition. Each state has its own rules, and a federal website provides links to all of them. In general, you have to be pretty close to destitute, with certain important exceptions related to homes and spouses, among other things.

The most detailed, plain-English guide I've found to the rules so far is called "How to Protect Your Family's Assets From Devastating Nursing Home Costs." As the title suggests, an entire industry has grown up around helping people qualify for Medicaid while still having something left for spouses and heirs. More than nearly any other important area of personal finance, this one depends a great deal on your state of residence, and many people hire an elder-law attorney to help them navigate the process.

Medicaid must pay for nursing homes, but not every nursing home takes Medicaid patients. Nor do the ones that do accept Medicaid patients have to let in every Medicaid patient who wants an empty bed. That means that people with at least some ability to pay at the beginning of their care may have an advantage getting a bed at their favored nursing home. How much might it cost where you live? Genworth has a good state-by-state estimator for this and other elder-care costs.

But many people don't want to be in a nursing home at all. They would much rather live in their own residence for as long as possible. This is where things get tricky, and where the various proposals in Congress could make a big difference. Medicaid must cover nursing home care, but state Medicaid plans don't have to cover community- or home-based care that might allow you to stay out of a nursing home for some period of time or forever.

So how do states handle this in practice? On the federal Medicaid site, a bit of research tells the story. (View it now — this administration has a habit of denying access to bits of useful information.) Alaska, Arizona, Minnesota, New Mexico and Oregon spend more than two-thirds of their Medicaid budgets for long-term care on home- and community-based care. Florida, Indiana, Louisiana, Michigan and Mississippi spend less than 40 percent in that manner.

If state Medicaid administrators have much less money to work with in future years, they will face some unpleasant choices. Do they spread the cuts equally (or at least proportionally) among children, adults with disabilities and seniors? And when billions disappear from budgets for old people who have run out of money and have no family to help them, what will be cut first and most?

Advocates for seniors and the industries that serve them are in general agreement here: that care at home and in your nearby community will probably be cut first, given that Medicaid isn't required to pay for that but is required to pay for nursing home care.

Once Medicaid administrators push that domino, here's how the rest of them might fall. People who cannot get care in the community or at home will simply make different choices if they meet the eligibility requirements.

"They will end up in nursing homes, when they could have been cared for at home," said Joe Caldwell, director of long-term services and supports policy at the National Council on Aging. "And nursing homes are way more expensive." How much? Close to three times as much.

If they tough it out at home without the help they need, they may become injured or sick. That could lead to a hospital stay that's even more expensive than a nursing home. And who picks up the tab for that? The federal government, except Medicare this time and not Medicaid (which states contribute to as well).

So to review, big Medicaid cuts could lead all of us to miss out on the care that many of us like best — and costs the government the least — because it will be cut first.

Sound wrongheaded to you? Then it's time to learn more and do more. I pledge to do my part in this space in the coming weeks as the debate in Washington continues. Ask me anything about Medicaid and elder-care services in the online comments area of this column — or write to me directly by clicking on my digital byline — and I'll try to answer as many questions as I can in future articles.

"We are absolutely ill prepared for what is going to happen," said Cheryl Phillips, a geriatric physician in Washington and the senior vice president for public policy and health services at LeadingAge, an association of service providers in the field.

She's right. And it's time to get ready.