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Plan Creates New Program to Pay for Long-Term Care

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One provision of the health-care legislation with broad potential impact on Americans isn't about health insurance. Instead, it would create a new federal long-term care benefit that would pay cash to people who become disabled.

Premiums for the program would be automatically deducted from the paychecks of people who work for participating employers, but employees would have the choice to opt out. Payouts would go only to those who had paid premiums for at least five years.

The long-term care program is in the House bill. But it is not yet clear if it will be in the Senate bill being shaped by Majority Leader Harry Reid of Nevada. Democratic centrists such as Budget Committee Chairman Sen. Kent Conrad of North Dakota have warned the program could add to the deficit. Proponents say it would fund itself.

Leaders of the Senate health committee are pushing for the program partly as a legacy of the panel's former chairman, the late Sen. Edward Kennedy of Massachusetts. The Obama administration has endorsed it.

The program is meant to help address a looming problem in the U.S., where relatively few people have long-term care insurance to cover expenses if they need home care or a nursing home. Currently, the main federal resource for such coverage is Medicaid, which applies mainly to the poor. Medicare, the federal health program that covers the elderly, doesn't include a long-term care benefit.

Long-term care is a concern for Kirby Tepper, 51, a psychotherapist in Los Angeles. Mr. Tepper bought a long-term care policy five years ago, after such coverage helped pay for the care of his ailing father. Mr. Tepper, a single cancer survivor who has Type 1 diabetes, pays \$240 a month for a policy that would cover about five years in a nursing home. He would be interested in an additional federal program, he said, if "it's a small premium that increases my benefits." But he said he wouldn't relinquish his current policy, which he sees as a safety net.

This year, average nursing-home costs for a semiprivate room are \$198 a day, while hourly rates for home health aides are \$21, according to a survey from MetLife Inc.'s Mature Market Institute.

The federal program would pay at least \$50 a day, with the amount calibrated by the disability of recipients. People would be eligible if they couldn't perform two or more daily activities, such as eating or bathing on their own. The benefit would continue until they recovered or died. Premiums would be set by the government to keep the program solvent.

The Congressional Budget Office, in an analysis of the program, assumed average monthly premiums of \$123, and a typical daily benefit of \$75. The office projected that the long-term care program in the House bill would be in the

black by \$72 billion in its first 10 years, and by a smaller amount in the following decade once more people started getting payouts. After 2029, it would start increasing the federal deficit, the CBO said, but its budget impact would be "fairly small" compared with other provisions of the bill.

However, Sen. Conrad and six other Democratic centrists expressed concern about "large, long-term spending increases that far exceed revenues."

"It is unsustainable," said Frank Keating, the former Oklahoma governor who is chief executive of the American Council of Life Insurers. The lobbying group, which has members that sell long-term care insurance, points to an analysis by the American Academy of Actuaries that said the program would likely draw a heavy proportion of participants with health conditions, while healthier people opted out.

The program's backers say the legislation would require it to be "actuarially sound." To assuage budget concerns, the version in a Senate bill could include new language barring taxpayer money from being used to fund the benefit.

Rep. John Dingell, the Michigan Democrat who was one of the members who added the long-term care program to the House bill, said he wasn't concerned that young people would opt out of it. By joining at a younger age, bill supporters say, younger workers could lock in lower premiums, which rise with age and are also likely to go up over time to track the benefit's inflation-pegged growth.

John Rother, executive vice president of AARP, which supports the long-term care program, said the benefit would be "enough to pay for the kind of care most people need."

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