



Long Term Care: Much-Needed Cost-Savings for New Mexico

By Stephen Moses
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This one-pager is designed to provide policymakers and the public with specific details on how New Mexico's long-term-care issues in Medicaid can be addressed. The author estimates that New Mexico could save approximately \$100 million annually by enacting needed reforms as outlined below.

Centennial Care is New Mexico's name for Medicaid, the national means-tested public welfare program providing health benefits to the needy. Fully one-third of the state's citizens rely on the program.

Medicaid expansion under ObamaCare has blown a big hole in the state's budget that policymakers must address in January and in the coming years. Governor Martinez recently called for a five percent across-the-board cut. As bad as that is, the demographic time bomb facing Centennial Care may be worse: long-term care (LTC) for the aged, blind and disabled.

Notably, three-fourths of Medicaid recipients are poor women and children in need of acute care. They account for only one-third of Medicaid's cost. The aged, blind and disabled, on the other hand, are barely one-fourth of total recipients, but they consume two-thirds of program costs, mostly for their long-term care.

LTC costs skyrocket after age 85. New Mexico's 85-plus population is only two percent now (28th nationally), but it'll be three percent (10th) by 2032, about when their Trustees say Social Security and Medicare will become insolvent.

- A demographic time bomb faces Centennial Care: long-term care (LTC) for the aged, blind and disabled.
- The aged, blind and disabled are barely 1/4 of recipients, but they consume 2/3 of program costs, mostly for long-term care.
- LTC costs spike after age 85. New Mexico's 85+ population is only 2% now (28th nationally), but it'll be 3% (10th) by 2032, when SS and Medicare become insolvent.
- New Mexico exempts \$828,000 of home equity from asset eligibility consideration, the maximum allowed by federal law.
- Anyone with income over the monthly limit of \$2,199 can shift the excess into a "Miller income diversion trust" and qualify quickly.

- Even much wealthier people qualify without spending down their assets by consulting elder law attorneys. Google “Medicaid planning in New Mexico.”
- Centennial Care recovers only \$1.7 million from estates annually, under 1/2 of 1% of LTC expenditures, and only 1/4 of Idaho’s recoveries percentagewise.
- Only 3.8% of age 40+ New Mexicans (33rd nationally) have planned ahead for long-term care by purchasing private insurance. Why worry if the taxpayers will take care of you?
- Governor Martinez and the HSD should work with the state legislature and the federal CMS to (1) cut the home equity exemption to the federal minimum (currently \$552,000), (2) maximize estate recoveries to bring in an extra \$5 million per year in non-tax revenues, (3) curtail long-term care financial eligibility loopholes wherever possible, and (4) educate the public that long-term care is a personal responsibility for which everyone one needs to plan, save, invest or insure.
- It may be too late for New Mexico to avoid a long-term care financing catastrophe, but those measures could reduce the damage.

Conclusion

If New Mexico enacts these much-needed reforms to LTC, the State could save an estimated \$100 million dollars each year. Those savings would only grow in future years. These savings could go a long way toward both addressing the current \$600 million budget hole, but would also help the State cope with the rapidly-growing costs of Medicaid and Medicaid expansion under ObamaCare.

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