



Written by [Michael Tennant](#) on October 2, 2015

Medicaid Long-term Care Program Faces Long-term Deficits

Although ObamaCare's expansion of Medicaid has received a great deal of press — and [rightly so](#) — a pre-ObamaCare law extending Medicaid coverage to senior citizens for long-term nursing-home or in-home care could prove just as detrimental to the nation's financial health, according to [Americans for Limited Government \(ALG\)](#).

The problem boils down to this: The number of seniors is growing by leaps and bounds as the Baby Boomers age. Seniors constitute 63 percent of long-term care patients on Medicaid and are the beneficiaries of 71 percent of the program's nursing-home expenditures. With the number of seniors expected to increase by 66 percent over the next two decades, the number of Medicaid patients requiring long-term care is likely to increase by roughly the same percentage. "And," observes ALG senior editor Robert Romano, "it will drive the costs of the program to the moon."

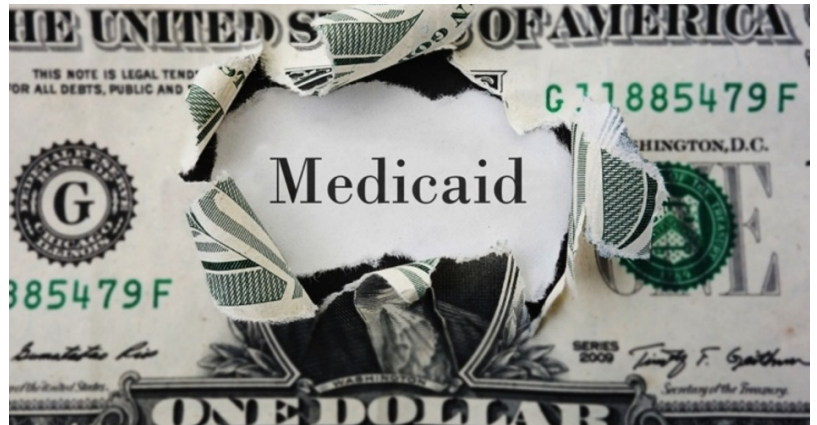
There are currently 4.6 million seniors enrolled in Medicaid, most of them for long-term care. (Most other medical expenses for seniors are at least partially covered by Medicare.) Assuming seniors continue to enroll in the program at their average historical rate of 11.7 percent, by 2035 there could be as many as 9.3 million of them on Medicaid. While they will only constitute a small fraction of Medicaid recipients, that could still have a huge impact on the program's budget.

"Seniors only accounted for 6.7 percent of the 63.7 million Medicaid beneficiaries in 2010, and yet, made up almost a full quarter of benefits paid — \$82.6 billion out of its \$311 billion budget," writes Romano. What's more, "since 1995, the number of older Americans enrolled in Medicaid has only increased on a net basis by 11.6 percent. And yet, the costs for Medicaid nursing home expenditures are up 75 percent." If that trend continues, Romano calculates, "the annual tab for long-term care could be as high as [a] half-trillion dollars."

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That's on top of the already burgeoning cost of expanding Medicaid to younger people, a move the Congressional Budget Office expects to increase enrollment to as many as 93 million individuals by 2024. Then there are the rising costs of all the other entitlement programs, among them two giants benefiting seniors: Social Security and Medicare.

All the entitlement programs, in addition to being unconstitutional, have grim financial outlooks. But





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those aimed at seniors face an additional hurdle: demographics. Millions of younger, gainfully employed Americans are needed to pay the taxes to fund these programs. Yet while the senior population is exploding, the younger population is not. The number of 15- to 64-year-olds is expected to grow about 6.65 percent by 2035—about a tenth the rate of senior growth. Where is that \$500 billion going to come from?

Medicaid has still another complication. It's funded by a combination of federal and state dollars, with the feds picking up slightly more than half the tab. States are going to be hard-pressed to come up with their share of future long-term care costs, and Washington is hardly going to be in a position to help.

ObamaCare does include "several financing schemes to boost funding for long-term care for the states," notes Romano, with many of them "attempt[ing] to control the costs by replacing senior nursing home care [with] home care." At the same time, however, the Obama Labor Department has decided to impose minimum-wage and overtime-pay rules on home-care workers, who had previously been exempt. That can only increase the cost of home care, which in turn will cause Medicaid's budget to balloon even further.

"Between the demographic time bomb about to go off — that is, the growth of the elderly population far exceeding the growth of the working age population by several orders of magnitude — and then the weak economy, the huge expansion of entitlements under the health care law, and the dramatic increases of the costs of those entitlements, including for labor, what could possibly go wrong?" Romano asks.

The answer is so obvious that even a politician could come up with it: The money is going to run out, and so will the government's ability to borrow the cash to cover the deficit. Then it's either inflate the currency—and destroy what's left of the economy—or cut benefits.

Slashing the welfare state now will be painful, but waiting until reality forces it on us will be excruciating. Just ask the Greeks.



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