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Long-Term Care Reform — The Federal LTC Fund

"You spent your whole life paying in. You should not have to spend everything you own to get care at the end of it."

1. The Problem

Medicaid spends approximately \$220 billion per year on long-term care — nursing homes, assisted living, and home-based care for elderly and disabled Americans. To qualify for Medicaid LTC, a person must first spend down nearly every asset they own. A lifetime of savings is wiped out before the government pays a dollar. When Medicaid does pay, it takes almost the entire Social Security check of the person in the nursing home — leaving them \$30 to \$60 per month of their own money. The private long-term care insurance market collapsed because insurers could not price the product accurately and lost money for decades. Today, Medicaid is the de facto long-term care insurer for America — by accident, not by design. Families are told they have no choice about which facility their loved one goes to because hospice organizations contract with selected nursing homes and steer patients accordingly, without telling families they have the right to choose. The system is broken at every level: how it is funded, how assets are treated, how Social Security is handled, and how patient choice is respected at the moment families are most vulnerable.

2. The Governing Principle

Long-term care is not a welfare program. It is a predictable cost of aging that every working American should fund together and benefit from equally. The federal government establishes a mandatory Long-Term Care Fund — structured like Social Security, funded by a dedicated payroll contribution, and managed as a defined benefit. Every working American pays in. Every American who needs long-term care receives the benefit. No spend-down. No asset forfeiture. No Social Security seizure. No restricted facility lists. The fund replaces Medicaid as the primary payer for long-term care within a defined transition period. Medicaid becomes the last resort for people with no work history, not the first stop for everyone.

3. The Specific Policy

I. The Federal Long-Term Care Fund — Structure

The Federal LTC Fund is established by statute as a mandatory payroll contribution — not optional, not opt-out. Every working American between ages 18 and 64 contributes. The fund is administered by a

newly created Federal LTC Board, structured identically to Social Security Administration oversight. Contributions are collected through existing payroll infrastructure. No new collection system required.

- **Mandatory contribution rate:** approximately \$20 per week per worker — \$1,040 per year. At 210 million covered workers, the fund collects approximately \$218 billion per year — sufficient to replace current Medicaid LTC spending of approximately \$220 billion per year on a pay-as-you-go basis with no reserve buildup required.
- **Employer match:** employers match the worker contribution at 50 cents on the dollar — \$10 per week per worker — bringing total fund revenue to approximately \$327 billion per year. The employer match is deductible as a business expense under existing tax law.
- **Self-employed and gig workers:** contribute the full combined rate (\$30/week) as a self-employment tax, identical to how Social Security self-employment contributions work today.
- **Benefit eligibility:** any worker who has contributed for at least 10 years and requires LTC services qualifies for the full federal LTC benefit. Partial benefit available after 5 years of contributions. Workers with fewer than 5 years of contributions remain on Medicaid LTC during the transition.

II. What the Benefit Covers

- **Nursing home care:** full benefit covers skilled nursing facility costs at the Medicare reimbursement rate for the geographic area. The federal LTC fund pays the nursing home directly. No cost to the beneficiary beyond the standard co-pay structure.
- **Home and community-based care — preferred:** the fund pays for in-home care services, adult day programs, and assisted living at a rate up to 80% of the equivalent nursing home cost. Home-based care is the preferred delivery model. Reimbursement is structured to make staying home financially advantageous for the fund and for the family.
- **Family caregiver payments:** a family member providing documented in-home LTC services is eligible for a caregiver payment of up to 60% of the equivalent home health aide rate — cheaper than a facility, and preferred by most families and patients.
- **Hospice coordination:** the LTC fund coordinates directly with Medicare hospice benefits. When a beneficiary enters hospice, the LTC fund covers the nursing facility component if inpatient care is required. The patient and family choose the facility — the fund follows the patient to any Medicare-certified nursing facility regardless of hospice contracting arrangements.

III. Social Security Protection — No More Seizure

Under current Medicaid LTC rules, when a person enters a Medicaid-funded nursing home, Medicaid takes nearly all of their Social Security check — leaving them \$30 to \$60 per month of their own money. This is one of the most punishing features of the current system. A person who worked and paid into Social Security for 40 years is reduced to \$50 a month in a nursing home.

- **Full Social Security protection:** under the Federal LTC Fund, the beneficiary's Social Security check is theirs. The LTC fund pays the nursing home or care provider directly. Social Security is not touched. The beneficiary retains 100% of their Social Security income for personal needs, clothing, phone, family support, and quality of life.
- **Asset protection:** qualifying for the federal LTC benefit does not require spending down personal assets. A primary residence, a vehicle, and reasonable savings are protected. Estate recovery — the government seeking reimbursement from the estate after death — is eliminated for LTC Fund beneficiaries. Assets can pass to family.

- **Spouse protection:** a spouse remaining in the community retains the family home, one vehicle, and a protected minimum income from the couple's combined Social Security and retirement income. The community spouse is not impoverished by the other spouse's LTC need.

IV. Patient Choice — Hospice and Facility Rights

Federal regulations already require that hospice patients have the right to choose any Medicare-certified nursing facility — hospice organizations cannot restrict patient choice to contracted facilities. In practice, families are routinely steered to contracted facilities without being informed of their rights. The reform enforces the existing law and adds teeth.

- **Mandatory written disclosure:** at the time of hospice enrollment, the hospice organization must provide a plain-language written disclosure — signed and dated — informing the patient and family that they have the right to choose any Medicare or Medicaid certified nursing facility, regardless of the hospice organization's contracting arrangements.
- **CMS enforcement:** hospice organizations that steer patients to contracted facilities without providing the required disclosure, or that condition the hospice benefit on facility selection, face civil monetary penalties and potential Medicare certification review. CMS establishes a dedicated patient rights complaint line for hospice/facility disputes.
- **LTC Fund portability:** the federal LTC benefit follows the beneficiary to any Medicare-certified facility of their choice. No network restrictions. No contracted-facility requirements. The family chooses. The fund pays.

V. Transition — Replacing Medicaid LTC Over Time

The fund does not eliminate Medicaid LTC on day one. The transition is honest and structured. Current nursing home residents and people already on Medicaid LTC continue under Medicaid — no disruption to anyone currently receiving care. The fund begins covering new LTC claims for qualified workers from the date of enactment.

- **Year 1-5:** fund collects contributions from all 210 million covered workers. New LTC claims for workers with 5+ years of contributions are paid from the fund. Medicaid LTC spending begins declining as the fund absorbs new claims.
- **Year 10-15:** the majority of new LTC claims are paid by the fund. Medicaid LTC is increasingly limited to people with no work history or fewer than 5 years of contributions.
- **Year 20-30:** Medicaid LTC spending approaches zero as the covered workforce ages fully into the fund benefit. Federal and state Medicaid LTC budgets are substantially freed for other health priorities.
- **Transition funding:** during the overlap period, existing Medicaid LTC obligations continue to be funded through current federal and state Medicaid appropriations. The transition cost is the existing Medicaid LTC budget — already appropriated, already being spent. No new net government spending during the transition.

4. Estimated Cost and Long-Term Savings

Item	Amount	Notes
Worker LTC contribution	\$218B/yr	210M workers x \$20/wk x 52
Employer match (50%)	\$109B/yr	Tax-deductible business expense
Total fund revenue	\$327B/yr	Covers current Medicaid LTC + margin

Current Medicaid LTC spend	~\$220B/yr	Federal + state combined
Medicaid LTC savings — Year 20	~\$200B/yr	As fund absorbs nearly all claims
Social Security retained by beneficiaries	~\$15-20B/yr	No longer seized by Medicaid

** Worker contribution of \$20/week is approximately the cost of two fast food meals. It replaces a \$220 billion annual Medicaid obligation and eliminates the spend-down system entirely.*

The Federal LTC Fund does not add to the federal deficit. The \$20/week mandatory contribution replaces \$220 billion per year in Medicaid spending that is already being paid through general tax revenue. The net fiscal effect is a shift from general revenue funding to a dedicated payroll fund — the same structure that made Social Security sustainable for 90 years. Over 20-30 years, as Medicaid LTC spending winds down, the federal government and states save approximately \$200 billion per year in LTC expenditures. That is real fiscal relief — achieved without cutting a single benefit.

5. Year 1 Implementation and Measurable Result

Year 1 measurable result: Federal LTC Fund legislation introduced within 30 days of inauguration. LTC Board established within 90 days. Payroll contribution infrastructure integrated with existing Social Security payroll collection within 180 days. Mandatory hospice disclosure rule issued by CMS within 60 days — enforceable immediately. Patient rights complaint line operational within 90 days. Fund begins collecting contributions on the first payroll date after enactment. First LTC Fund benefit payments to qualified workers begin in Year 2. Medicaid LTC spending reduction measurable by Year 3. The governing metric: how many new LTC claims are paid by the fund versus Medicaid, reported quarterly by CMS. Target: fund covers 25% of new LTC claims by end of Year 3; 50% by end of Year 7; 90% by end of Year 15.