



SOCIETY OF ACTUARIES

Managing the Impact of Long-Term Care Needs and  
Expense on Retirement Security Monograph

## **How American Society will Address Long-Term Care Risk, Financing and Retirement**

By John Cutler

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## Abstract

# How American Society Will Address Long-Term Care Risk, Financing and Retirement

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While long-term care (LTC) expenses can be devastating to individuals and society, the premise of this paper is that few proactive measures are in play to address the problem. Notwithstanding the risk to the lifetime financial security plans of individuals and households, the management of this risk is uneven. Likewise societal response (synonymous for this purpose with government) is erratic and lacking in focus.

If this is true—that few solutions are being put into play today to take care of tomorrow—what happens when tomorrow comes? In spite of the exhortation by many experts that solutions must be created today, it is more likely that individuals and society will procrastinate. This will result in the adoption or adaptation of whatever mechanisms or options are available at the time. In essence, what if we have a crisis and no one comes? What if we muddle along and do nothing? Or rather, at best, we only move forward with incremental public initiatives, and the private sector similarly makes marginal product changes. What does America look like if we ignore all the warnings?

This paper uses a literature search and reflective analysis of current programs and policies to lay out a path by which these tools could be employed. The review covers Medicare, Medicaid, health insurance, LTC insurance (including life and annuities), Social Security, pensions, housing and reverse mortgages as well as family, caregiving and the workforce. What is clear is that a variety of approaches, both public and private, are currently available to address LTC risks. In fact, it might well be that we ARE seeing LTC reforms underway but too incremental (and fragmented) to be obvious.

So the tenet of the paper is *not* that there won't be changes in the way insurance and retirement will be addressed. To the contrary, it seems probable that there will be a wide array of policy proposals or product ideas to address the growing number of individuals moving into older ages and retirement. In addition, it is clear that there will be both a public as well as private component. Even if a private market option is chosen, it has to have government involvement. Both empirical research as well as expert opinion hold that the government must be involved as a key player. But, by the same token, the government can only do so much, which means, in turn, a social insurance solution also cannot be chosen as the only answer.