

Advocates, CMS Explore Use of Reverse Mortgages to Shore Up Long-Term Care Coverage Gaps

As policymakers and advocates struggle with how to improve the inadequate means Americans have to address long-term care needs, the continuing bias in long-term care toward institutional facilities, and widespread budget crises, many are looking to seniors' private equity as one of the most direct means for financing care.

In that vein, the National Council on the Aging (NCoA), with funding from the Centers for Medicare & Medicaid Services (CMS) and the Robert Wood Johnson Foundation, has launched an effort called the "Use Your Home to Stay at Home Initiative." The initiative seeks to "promote a common understanding and a shared vision of the appropriate role for reverse mortgages in the long-term care financing system."

As part of the initiative, NCoA released a report in recent weeks titled "Use Your Home to Stay at Home -- Expanding the Use of Reverse Mortgages for Long-Term Care: A Blueprint for Action," and convened a panel to address advancing the initiative's agenda.

It is widely acknowledged that seniors by far prefer to "age in place," remaining in their homes and communities for as long as possible. Seniors who otherwise might have only modest means of support frequently have significant resources tied up in their homes and real estate--current estimates place the collective untapped housing wealth of today's seniors at more than \$2 trillion.

As a rule, however, seniors have not been encouraged to tap into these considerable resources to help fund the care and services that could greatly enhance their ability to remain in their homes. The NCoA report draws from a wide range of research in a number of fields that is used to outline the rationale for increasing the use of reverse mortgages for long-term care, and to identify realistic policy options that could serve to stimulate the market. In addition, the report examines barriers to broadening the use of reverse mortgages, including the limitations of current products and existing consumer protections.

The report outlines a variety of action steps that fall within the following five categories:

- Examining Medicaid policy and public incentives for reverse mortgages;
- Strengthening consumer protections for borrowers who use reverse mortgages to pay for in-home services and supports;
- Increasing awareness and acceptance of reverse mortgages for long-term care;
- Promoting innovations that reduce the cost of tapping home equity while providing strong value over time; and
- Conducting additional research on ways to increase the use of home equity to finance long-term care.

The panel NCoA convened reviewed options within the five categories. After some four hours of discussion and deliberation, **the panel identified the following items as being of highest priority relative to reverse mortgage policy:**

- Regarding Medicaid policy and public incentives, the group particularly was interested in developing Medicaid buy-in programs using home equity; developing public-private partnership programs for reverse mortgages; and ensuring that reverse mortgages are not required for Medicaid eligibility.
- Relative to consumer awareness and acceptance of reverse mortgages, the group strongly endorsed developing state and national educational campaigns as well as educating state policymakers on the subject.
- To help reduce the cost of tapping into home equity, the group identified waiving up-front mortgage insurance premiums for severely impaired borrowers and encouraging states to pay some or all of reverse mortgage closing costs for impaired borrowers.
- To promote innovation, the group suggested that reverse mortgage products be created specifically for financing long-term care.
- Finally, the group expressed a strong interest in learning more about reverse mortgage borrowers and non-borrowers.

The whole of the panel noted that an overall need for immediate action is changing current law relative to mortgage insurance premium deductions.