

INTERGENERATIONAL RELATIONS AND POLICY¹

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TWO CASES FOR CLASS DISCUSSION

Read each case carefully and come to class prepared to offer an opinion and defend it.

Case 1: The Case of the Controversial Fishing License

Assume that you are a state legislator and the following bill is introduced: HR 2121—An act to allow for the issuance of a fishing license without charge to those 65 or older who apply for said license.

Prior to voting for or against such a proposal, what questions would you ask? What information would you need? Are there any political risks either in supporting or opposing this proposal? How would you explain or justify your vote to representatives of an interest group who wanted you to vote the other way?

Case 2: Grandma's Assets

When Grandpa passed away nearly ten years ago, Grandma coped fairly well. She had some problems with arthritis and her sole income from Social Security was only \$750 a month, but all told, she has done remarkably well. Her adult children are aware of the fact that Grandma owns her house outright (worth about \$200,000) and there is about \$150,000 in savings and bonds in the local bank.

A concern the adult children have is that Grandma will suddenly fall ill (she is 86) and will have to be placed in a nursing home. If so, the \$150,000 will have to be reported and Grandma will have to tap her assets to cover her nursing home costs until she becomes eligible for Medicaid. This process, known as “spend down” can be very upsetting to families. With the costs of nursing home care ranging between \$65,000 and \$80,000 a year, Grandma's hard-earned assets could be swallowed up in less than three years.

The adult children, on the advice of a lawyer, suggest to Grandma that she transfer almost all of the \$150,000 into their accounts so that if she does go into a nursing home she will qualify almost immediately as a “Medicaid eligible” patient; as a result, the \$150,000 will be saved for the family, while the cost of caring for Grandma will be shifted onto the state's taxpayers in the form of taxes collected to fund the state Medicaid program. Remember, Medicaid is a health program for the poor, regardless of age. And also keep in mind that nearly 80% of all Medicaid dollars are spent on the elderly in nursing homes.

The state is very concerned about “asset transfers” (also referred to as “divestiture of assets”). Politicians in particular, who are always promising the public lower taxes, are very upset about the rising Medicaid costs and the looming possibility that the general public will see their taxes go up instead of down.

So here you have a dilemma. On one hand, we value families and their privacy and some families (we don't know how many) are so concerned about seeing the hard-earned money of their elders being vaporized that they have resorted to having the assets transferred to adult children. On the other hand, however, if this continues, more and more elderly will enter nursing homes as Medicaid patients and the general public will see their taxes increasing to cover the costs.

To discuss this dilemma in some detail, I have divided the class accordingly.

- **Grandma** - Those whose last name begins with **A through C** will be Grandma. What would you like to do with your \$150,000 at this time - before you have to go to a nursing home? Remember, it is your decision. You have four adult children.

¹ Note. “Intergenerational Relations and Policy,” by Steven Wisensale. Reprinted with permission.

- **Adult Children** - Those whose last name begins with **D through I**. Would you try to persuade Grandma to transfer her assets into your banking accounts before she is placed in a nursing home? Or, do you see this as an unethical manipulation of the system by forcing the cost of nursing home care onto the taxpayers and therefore, oppose it.
- **General Public/Taxpayers** - Those whose last name begins with **J through P**. You are somewhat angry after reading an investigative report about asset transfers in the local paper. In fact, just two nights ago, two lawyers held a special workshop in the local firehouse that taught the elderly and their adult children how to transfer assets and avoid losing money to nursing homes. Most of you in this group are under 40 and your parents are just in their 60s but pretty healthy so far. You are more concerned about saving money for your kids' college education. But remember, time flies. So what would you like your legislators to do about this issue of asset transfers?
- **Legislators** - Those whose last name begins with **Q through Z**. You hear this story from both sides. Some of you want to do something to save taxpayers from having the cost of nursing home care (via Medicaid) being dumped on them. Others hear from your constituents about how hard-earned money saved for years by the elderly is swallowed up by nursing homes. Would you vote for a law that would prevent asset transfers? Would you prefer to do nothing and, thus, let asset transfers continue as they do at present? Keep in mind no one really knows how often asset transfers occur because family finance is a fairly private matter. And lastly, if you do not like either of these choices, do you have another choice, another option? If so, what do you propose?

TEACHING NOTE

Either of these cases can be used in a standard family policy course if the instructor chooses to include a unit on intergenerational equity or simply raise the issue of allocating resources across generations. The latter case, "Grandma's Assets" is suitable also for a course in family dynamics or something similar, provided the instructor feels comfortable venturing into some policy issues. Also, either exercise can be used for graduate or undergraduate courses.