Public and Private Financing of Long-Term Care: Options for Minnesota

Briefing on Legislative Report

House Health Policy and Finance Committee
Fran Bradley, Chair
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Long-Term Care Financing: Options for Minnesota

Outline of Presentation

- Why is this an important issue?
  - Demographic trends and issues
  - Baby boomers and long-term care financing
- Process used in study
- Recommendations
Numbers of Minnesotans 65+ will more than double between 2000 and 2050.
Minnesota’s population 85+ will more than triple between 2000 and 2050.
Percent change in Minnesota’s population 85+ between 1970 and 2050

<table>
<thead>
<tr>
<th>Period</th>
<th>Change</th>
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</thead>
<tbody>
<tr>
<td>1970 - 1980</td>
<td>56.5%</td>
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<tr>
<td>1980 - 1990</td>
<td>30.4%</td>
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<tr>
<td>1990 - 2000</td>
<td>24.4%</td>
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<tr>
<td>2000 - 2010</td>
<td>24.7%</td>
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<tr>
<td>2010 - 2020</td>
<td>13.9%</td>
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<tr>
<td>2020 - 2030</td>
<td>34.6%</td>
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<tr>
<td>2030 - 2040</td>
<td>57.4%</td>
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<tr>
<td>2040 - 2050</td>
<td>25.9%</td>
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Elderly dependency ratio climbs
Number of elderly 85+ per 100 caregivers in Minnesota and selected counties in 2000
(ratio = persons 85+/100 females 45-64)
Who provides long-term care to Minnesota’s elderly in the community?

![Bar chart showing the percentage of families and agencies providing long-term care in 1988, 1995, and 2001.](chart.png)

- **1988**: 97% Families, 3% Agencies
- **1995**: 95% Families, 5% Agencies
- **2001**: 91% Families, 9% Agencies

Legend:
- **Families**
- **Agencies**
Minnesota’s population 65-84 and 85+ in need of long-term care: 2000 to 2050
Long-term care expenditures for elderly in Minnesota in 2004

$2.26 billion w/o informal care    $6.84 billion w/ informal care

- Out-of-Pocket: 33%
- Private insurance: 4%
- Medicaid & Other State: 40%
- Medicare: 20%
- Other: 3%

- Informal Care: 67%
- Medicare: 7%
- Medicaid & Other State: 13%
- Private insurance: 1%
- Out-of-Pocket: 11%
- Other: 1%
Public cost of serving all disabled elderly 65+ vs serving same percent as now served 2000 – 2050 (in $ millions)
U.S. personal savings rate 1929 – 2004 (1.4% in 2004)
Percent of single women w/o sufficient income for long-term care expenses by age (with 5% savings increase)
Percent of retirees in lowest income quartile w/o sufficient income for long-term care by age (even with 5% savings increase)
Boomers and long-term care

- Boomers are near retirement (6 years to 65)
- Attitudes and concerns are changing
- Prospect of poor health and/or running out of money are now more real
- 35 percent are caregiving for parents or older relatives
- 66 percent say this has changed the way they think about retirement and how to prepare
“If you need nursing home care, how do you think that care will be paid for?”

(Results from survey of MN boomers)
Long-term care financing study

2003 Legislature required a study

- Study of private financing options to determine which of several options would be most attractive to individuals and achieve the state’s goal of generating Medicaid savings
- Propose a new mix of public and private approaches to financing long-term care
Financing options reviewed

- Five insurance options
  - Long-term care insurance
  - Partnership for long-term care
  - Nursing home benefit mandated in Medicare supplemental products
  - Health insurance options that include long-term care coverage
  - Life insurance that includes long-term care coverage
Financing options reviewed (cont)

- Two options that borrow money
  - Reverse mortgages
  - Family loan or line of credit
- Two options that use savings
  - Public savings – Hawaii CarePlus
  - Private savings – long-term care annuity
Process used to complete study

- Interagency group includes staff from state agencies
  - State Demographer
  - Commerce
  - DOER
  - Health
  - Housing Finance Agency
  - Finance
  - Revenue
  - MSRS
  - Legislative Commission on the Economic Status of Women
Process used to complete study

- Series of seven policy briefings using videoconferencing in 11 locations across the state
- Each briefing focuses on a different option, its status in the state, pros and cons, views of experts, industry, consumers and regulators
Process used to complete study

December 3 conference

- Brought together long-term care providers, state and local government, insurance and financial services representatives, academics and consumers and advocates
- Contrasted and compared potential options
- Took straw vote to get idea of general interest and directions
Results of Straw Votes

- Highest overall rankings
  - Partnership program
  - Life insurance
  - Long-term care insurance

- Strategies most effective
  - Individual tax credits
  - Rethinking and restructuring public/private responsibility for long-term care
  - Public information and education
Additional research to be completed

- SHADAC (State health access data assistance center) at the University of Minnesota, by March 2005
  - Further define and delineate the extent of the income inadequacy of retirees in Minnesota
  - Analyze policy options and financial incentives that would achieve the state’s goals of maximizing private dollars and limiting Medicaid liabilities
Additional research to be completed

• Department of family social sciences at the University of Minnesota, by June 2005
  • Identify factors that motivate individuals to take action to address their long-term care risk
  • Identify these factors for different generations, family types and by life cycle stages
  • Recommend how these factors could be used to increase takeup of financing options
Recommendations

- Medicaid has perverse incentives for elderly and families
  - Incentives to transfer assets and voluntarily impoverish yourself
  - Very existence of Medicaid in its present form may “crowd out” private options
- Consensus that we must eliminate mixed messages about personal responsibility for long-term care
A new mix of approaches

- Implement asset transfer waiver, once approved, and tighten estate recovery
- Provide incentives for private payment of long-term care
  - Education for all individuals on risk and options
  - Financial incentives that target those at risk of using Medicaid
- For longer-term, rethink and restructure private and public responsibility for long-term care
A new mix of approaches

- Intensify efforts to support family caregivers – for every percent decline in family care, $30 million in public costs
- Prevent disability that causes long-term care need, improve chronic care management
- Increase number of “age-friendly” communities in Minnesota
Recommendations on retirement and long-term care planning

- Develop strategic plan to help Minnesotans plan for retirement and old age
- Seek designation as next state to roll out federal long-term care planning education campaign for individuals 50 – 70
- Seek funding together with other partners to create Center for Retirement Security and Wellness
We spend more time planning vacations than we do our retirement and old age.

Possible Trigger Points in the LifeCycle for Retirement and Long-Term Care Planning:

- First "real" job
- Age 40
- Age 50
- Age 60
- Medicare at 65
- Open enrollment at work
- At age of retirement 55 - 65
Recommendations on Options

- There is no “silver bullet” or one answer to the private financing options for long-term care.
- There needs to be a variety of options available to meet the differing circumstances of individuals and families.
- We need a broad public information and education campaign to educate individuals about their long-term care risk and what they can do about it.
For more information:

http://www.dhs.state.mn.us/main/groups/aging/documents/pub/dhs_id_025734.hcsp

or

651-296-2062 or 651-297-3462