



# CHANGE IS IMPERATIVE

The  
 Long-Term Care  
**IMPERATIVE**

A Minnesota Collaboration for Changes in Older Adult Services

# Making the Case for Action: Why Now?

## Minnesota is at a crucial point in determining its future.

The unprecedented growth in the older adult population and the corresponding shrinking of the traditional workforce are the two most significant factors influencing the availability of state resources for decades to come.

### Minnesota is aging.

The “Silver Tsunami” hits Minnesota in 2011, when the Baby Boom generation starts turning 65. While this fact has been known for years, we still are not fully prepared to deal with the economic and societal changes we are going to face.

The state of Minnesota is projected to spend over **one billion dollars in 2010** on 40,318 clients receiving services in nursing facility and community-based settings.<sup>1</sup> Those numbers are going to increase exponentially as Minnesotans grow older and need supportive services to maintain their independence. **Unfortunately, our state budget cannot absorb this growth.**

A deficit is forecast for the current biennium and experts predict a record deficit for the next one, beginning on July 1, 2011. Without action shaped by a well-defined plan, there is little chance of seeing the additional funds necessary to support the growing demand for older adult services.

There is also little chance that additional support will be available to informal caregivers, like family members and friends, who take on about 90% of the actual care-

<b>1 billion PLUS</b>	<b>\$1,082,970,000 will be spent in 2010 on 40,318 clients receiving services in nursing facility and community-based settings.</b>
<b>2010</b>	
<b>40,318</b>	



giving duties in our state. The good news is that Minnesota has already undertaken some necessary and foundational steps toward reforming long-term care.

We have one of the nation’s most innovative home and community-based services programs. For nearly two decades, our state policy has encouraged the use of cost-effective home and community-based services over institutional care whenever appropriate for the individual. As a consequence, we have steadily decreased the utilization of the state’s nursing homes and decreased the number of nursing home beds in the state by more than 20% in the last decade. More in-depth information on care options has been made available to consumers, and there is growing recognition of the need to support families in their informal care giving. These steps are necessary, but they will not be sufficient to address the challenges that lie ahead.

The Long-Term Care Imperative has been a leader in proposing reform. In 2000, we published “*Principles for Change*,” a document laying out a vision for long-term care. Now, we move beyond the articulation of a vision to offer a plan of action that combines short and long-term strategies to meet the challenges we face, built on the good work Minnesota has already done in the policy arena with Transform 2010 and in the marketplace.

*Minnesota has to reform long-term care financing if the state wants to have a sustainable long-term care system that meets the needs of all Minnesotans in the places they call home.*



**“DOING NOTHING IS NO LONGER AN OPTION.”**

## Making the Case for Action: Why Now? *(continued)*

This plan of action is built from three essential elements:

**Personal responsibility:** individuals need to plan for and help finance their long-term care needs, just as they do for their retirement.

**Public investment:** some additional public investment is essential to maintain our societal responsibility to care for our elders.

**Administrative alignment:** establish a new cabinet-level focus on aging, empowered to consolidate and coordinate multiple, cross-cutting programs now housed in separate agencies and administered by separate entities at separate levels of government and government contractors.

This combination – short and long-term strategies along with public and personal responsibility and administrative alignment – will strengthen our promise to our elders to give back to them some measure of what they have given to us over the course of their lifetimes – and leave to the next generation a sustainable long-term care system.

Together, we can seize this watershed opportunity to make real, sustainable change. It will take all of us – including providers, advocates, legislators, and the executive branch – to get it done.

## Personal Responsibility: Savings, Planning & Insurance Are Required

In order to meet the needs of an aging Minnesota, **all of us must take as much responsibility as we can** for planning and saving for the future.



*All Minnesotans should be preparing for retirement and long-term care to the best of their ability.*

Area	Nursing Home (Private Room)	Assisted Living	Home Care (8 Hours per Day)
Minneapolis/ St. Paul	\$76,650	\$31,572	\$65,700
Rochester Area	\$61,320	\$30,180	N/A

Source: Long Term Care Cost Calculator

Just as we plan and save for retirement, the same should be happening for our long-term care needs. To put the costs of long-term care in perspective, consider these facts:

- The cost for serving a Medicaid recipient in a nursing home is about \$5,000 per month (\$60,000/year) and about \$2,500 a month (\$30,000/year) in the Elderly Waiver program.<sup>2</sup>
- Private costs are also substantial. In Minneapolis, a private nursing home room costs nearly \$77,000/year; assisted living is about \$32,000 annually; and eight hours of home care a day comes out to just over \$61,000 a year. In St. Paul, home care is over \$70,000 a year. In Rochester, a private nursing home room runs about \$61,000 per year.<sup>3</sup>

**Neither the state nor the individual can be expected to cover all of these costs.** Medicaid, our state’s safety

## Personal Responsibility: Savings, Planning & Insurance Are Required *(continued)*

net program, should be available to individuals who truly need it, and not used as an estate planning tool.

Minnesotans should view the planning for, and the financing of, their own long-term care needs as an obligation; policy makers need to establish mechanisms that both encourage and reward that behavior. Individuals should not have to impoverish themselves in order to receive some measure of help with the care and services they need.

We recommend a **menu of strategies** to assist individuals to start saving for their long-term care needs. These strategies include tax incentives for personal savings, pooling risk to make purchasing long-term care insurance more affordable, and consumer education.



*We recommend a menu of strategies to assist individuals to start saving for their long-term care needs.*

Each of the options can be pursued independently of the other; however, we will be more successful in encouraging personal savings if multiple strategies are pursued simultaneously.

- **Incentivize personal savings for long-term care.** There are a variety of approaches that could succeed in encouraging personal savings, including establishing a long-term care (LTC) savings plan, modeled after the 529 college savings plan, where interest accrues tax-free and funds can be withdrawn tax-free after a certain age/disability; or “prize-linked” savings incentives.

- **Promote and remove any state barriers to state implementation of The Community Living Assistance Services and Supports Act (CLASS Act).** If enacted at the federal level, the CLASS Act will create a new national insurance program to help adults with impairments remain independent and a part of their community. It is financed through voluntary payroll deductions, with opt-out enrollment.
- **More aggressive incentives to purchase LTC Insurance.** Currently, the tax credit available for LTC insurance is \$100 per individual/\$200 per couple; it should be increased. We should also consider tax incentives to employers who offer LTC benefits, such as group LTC insurance.
- **Create exemptions/incentives in the nursing facility rate equalization law** that promote and reward personal responsibility for privately paying consumers.
- **Increase Consumer Literacy about LTC Financing** through a collaborative campaign with business, consumer, and government groups.
- **Remove barriers to the use of Health Savings Accounts for LTC expenses** to remove any exclusionary service/benefit and proactively note which expenses would be covered.
- **Expand credentialed counseling to older adults regarding reverse mortgage options.** There is currently a federal program for credentialing financial counselors in this complicated area.
- **Expand the current state/county employee long-term care insurance pool into the private market.** This initiative could conceivably lower the per person cost due to the size of the pool and will allow those with prior conditions to obtain LTC insurance.

Long-term care financing reform acknowledges the need for Minnesotans to plan ahead using a variety of mechanisms to finance their own long-term care service and support needs.

**Our plan for reform also maintains a safety net for those in need.** Giving individuals the ability to save and plan for themselves will help our state maintain the safety net into the future.

**“WE RECOMMEND A MENU OF STRATEGIES.”**

# Public Responsibility: Additional Public Investment Is Essential

*While each of us should be planning for the future and saving for our long-term care needs to the best of our ability, there will always be the need for a safety net to help those who cannot adequately support their long-term care needs.*

The aging of the Baby Boom generation — the sheer quantity of seniors — means a greater number of people will likely need assistance from the state. Many Boomers simply have not saved enough for retirement, let alone long-term care. Because fewer workers receive defined benefit pensions than in the past and are more apt to have defined contribution plans like 401ks, Baby Boomers will be increasingly reliant on Social Security and less reliant on pensions when they retire.<sup>4</sup> In addition, much of Boomers' retirement equity is in their homes, and as we have seen with the recent crash in the housing market, that equity can disappear overnight.

All of these factors indicate the state of Minnesota will need a strong safety net for older adults who find themselves unable to afford quality care.

Minnesota's seniors helped build our state, creating opportunities for their children and grandchildren. They contributed to our infrastructure and economy and invested in our educational institutions. As our senior population ages, it is our responsibility to ensure that they have access to quality long-term care options.

**It is the right thing to do; it is also the smart thing to do.** An investment in older Minnesotans will produce a return that will benefit the state.

- Healthy, independent seniors are vital contributors to Minnesota's economy through employment and through their buying power.
- Older adults give back to their communities by volunteering.
- Investing in older adults' health and wellness now means spending less later on expensive institutional and chronic care.

In order to ensure that our seniors have access to the care and services they need, we need to spend our long-term care dollars wisely—that means controlling costs and investing in efficient models. But given the impact of this decade's rate cuts and freezes and their impact on caregivers and care receivers alike, we cannot rely on cost containment measures alone.

**Cost containment measures have made a difference but cannot solve this problem without threats to quality and access.**

We need to invest more money in the long-term care system to meet our obligation to our seniors. Investments that target value will recognize the reality of the state's structural deficit as well as recognize the growing numbers of Minnesotans who will need to access some long-term care assistance in their final years.

Investments that can demonstrate the greatest value include:

**Home and community-based services:** Minnesota has been nation-leading in “rebalancing” our continuum of care. We now provide care to more seniors in their homes through home and community-based services than in nursing homes. As a result, Minnesota's long-term care budget has been reduced on a per capita basis.

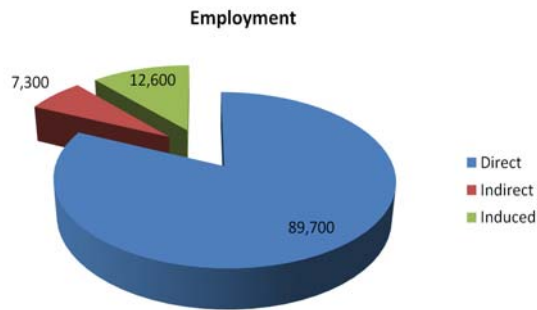


*An investment in older Minnesotans will produce a return that will benefit the state.*

**“CUTS ALONE WILL NOT SOLVE THE PROBLEM.”**

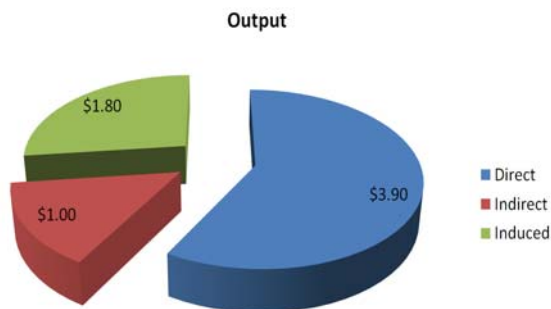
## Public Responsibility: Additional Public Investment Is Essential *(continued)*

### Employment Impact of Long-Term Care\* in Minnesota



\* Long-Term Care facilities include nursing homes, assisted living, and other residential care facilities. These facilities do not include government-owned or hospital-based facilities. Source: AHCA 2009

### Economic Impact of Long-Term Care\* in Minnesota (in billions)



\* Long-Term Care facilities include nursing homes, assisted living, and other residential care facilities. These facilities do not include government-owned or hospital-based facilities. Source: AHCA 2009

**Job expansion and promotion:** The Federal government matches every dollar invested by the state in Medicaid programs for the aging population. The growth of jobs in older adult service delivery is a side benefit to the demographic age wave. Care-related positions are projected to increase with the demographic wave, making this profession one of the few growth professions during difficult times.

**Family supports:** With more choices, family members can stay involved with their relatives' care using professional resources in their communities. This reduces the business costs of time off for caregiving and promotes efficiency by reducing distractions related to caregiving pressures.

**Money follows the person:** Seniors have demonstrated that they will use cash benefits wisely to purchase the combination of care and support that makes the most sense for them. This flexibility helps to secure the right service at the right time.

### More Revenue Is Needed.

While Minnesota makes these targeted investments, the state must also address the structural deficit in the budget by increasing the resources available through one or more of the following revenue strategies:

- Expansion of sales tax to clothing and/or services
- Elimination of the 1999 tax cuts
- New personal income tax bracket on upper income individuals

Increased revenue does not mean individuals are excused from taking responsibility for planning for their long-term care. Indeed, it is more important than ever that Minnesotans take the initiative to save and plan wisely for retirement and long-term care needs.

**But personal responsibility alone will not be enough.**

Increased revenue will help the state continue to be a good partner with individuals in providing care and services, particularly to individuals who cannot otherwise afford quality care.

# Administrative Alignment

In addition to looking at new ways to finance long-term care services, Minnesota should establish a new cabinet-level entity that focuses on aging policy and payment.

The creation of this entity will:

- Focus the state and policy makers on creating and implementing a vision for the future.
- Streamline the administration of long-term care services.
- Eliminate duplicate functions in different agencies and between different levels of government and provide overall coordination.
- Focus on aging issues that cross over agency lines.

Several other states have taken steps toward integrating all state activities under one umbrella agency.

The Long-Term Care Imperative believes that Minnesota can no longer wait to replicate these efforts. To that end, we propose that **the state of Minnesota establish a new cabinet-level focus on aging.**

Consideration should be given to housing under one agency the work of the Board on Aging, Minnesota Department of Human Services, Minnesota Department of Health, Department of Commerce, Department of Labor and Industry, Veterans Affairs, Department of Public Safety, Minnesota Housing Finance Agency, and the Department of Employment and Economic Development that relates to the housing and service delivery, payment, regulation, and certification of older adult services.

*Minnesota's budget is structurally imbalanced and cuts alone will not solve the problem of ongoing budget deficits.*

*The state needs additional revenue to be able to keep the promises and meet the moral obligations it has made to its older citizens.*



*Right place, right time, right services.*

This cabinet-level department (e.g., Department of Aging) needs to move quickly to identify the duplication, roadblocks, service and payment inefficiencies in our current system and begin to establish new, bold state policy that will be carried forward down to the community implementation level.

Over time, this approach may generate some state savings, as there may be some efficiency that will be created when all aging services functions are under one administrative umbrella. It may also generate system savings as we streamline both county and state efforts; eliminate geographic differences between service access and coordination; eliminate duplication between health plans and counties; and focus the financial incentives on prevention and “right place, right time, right services” policies.

- <sup>1</sup> Minnesota Department of Human Services monthly average recipient projections for nursing facility, elderly waiver, and alternative care programs. This includes state and federal share.
- <sup>2</sup> [edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-5357\\_ENG](https://edocs.dhs.state.mn.us/lfsrserver/Legacy/DHS-5357_ENG)
- <sup>3</sup> [longtermcareinsurance.org/carecalculator.html](https://longtermcareinsurance.org/carecalculator.html)
- <sup>4</sup> [www.dhs.state.mn.us/main/id\\_005426](https://www.dhs.state.mn.us/main/id_005426)

# Call to Action: Take the Next Step

Minnesota's current long-term care financing system is unsustainable and our demographics are changing rapidly. We cannot just talk about it anymore.

**We need to take action.**

The Long-Term Care Imperative has provided a framework of reform that includes personal responsibility, public responsibility, and administrative alignment.

**Now we need to see this framework implemented.**

Policymakers can do their part by supporting incentives for individuals to plan and save for their future long-term care needs.

These incentives include:

- savings plans
- tax credits for purchasing insurance
- the creation of a premium-based insurance trust program.

Policymakers can recognize Minnesota's collective responsibility to our older adults by making targeted investments in areas with proven value, such as home and community-based services, job creation, and family caregiving supports.

Policymakers can **address Minnesota's structural deficit through enhanced revenue**. Enhanced revenue can come from expanding the sales tax to clothes and/or services, eliminating the 1999 tax cuts, or creating a new upper-tier income tax bracket.

Finally, policymakers can **streamline state government** and make service delivery more efficient by creating a single cabinet-level department.

Minnesota's older adults deserve to have the best quality care available.

**WE CANNOT LET THEM DOWN NOW.**



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A Minnesota Collaboration for Changes in Older Adult Services

The Long-Term Care Imperative is a collaborative effort between Care Providers of Minnesota and Aging Services of Minnesota, the state's two long-term care provider associations.

Our goal is to advance a shared vision and future for older adult housing, health care, and supportive services.

**Aging Services of Minnesota**

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