

*Marketing*



# **Incremental Visualization\***

## **LTC Product Innovation in Minnesota**

The Honorable Yvonne Prettner Solon  
Lieutenant Governor of Minnesota

Loren Colman, Assistant Commissioner for Continuing Care  
MN Department of Human Services

LaRhae Knatterud, Director, Aging Transformation  
MN Department of Human Services

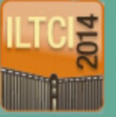
\*"a policy of making changes by degrees or gradually"



**14th Annual Intercompany Long Term Care Insurance Conference**

## Outline of Presentation

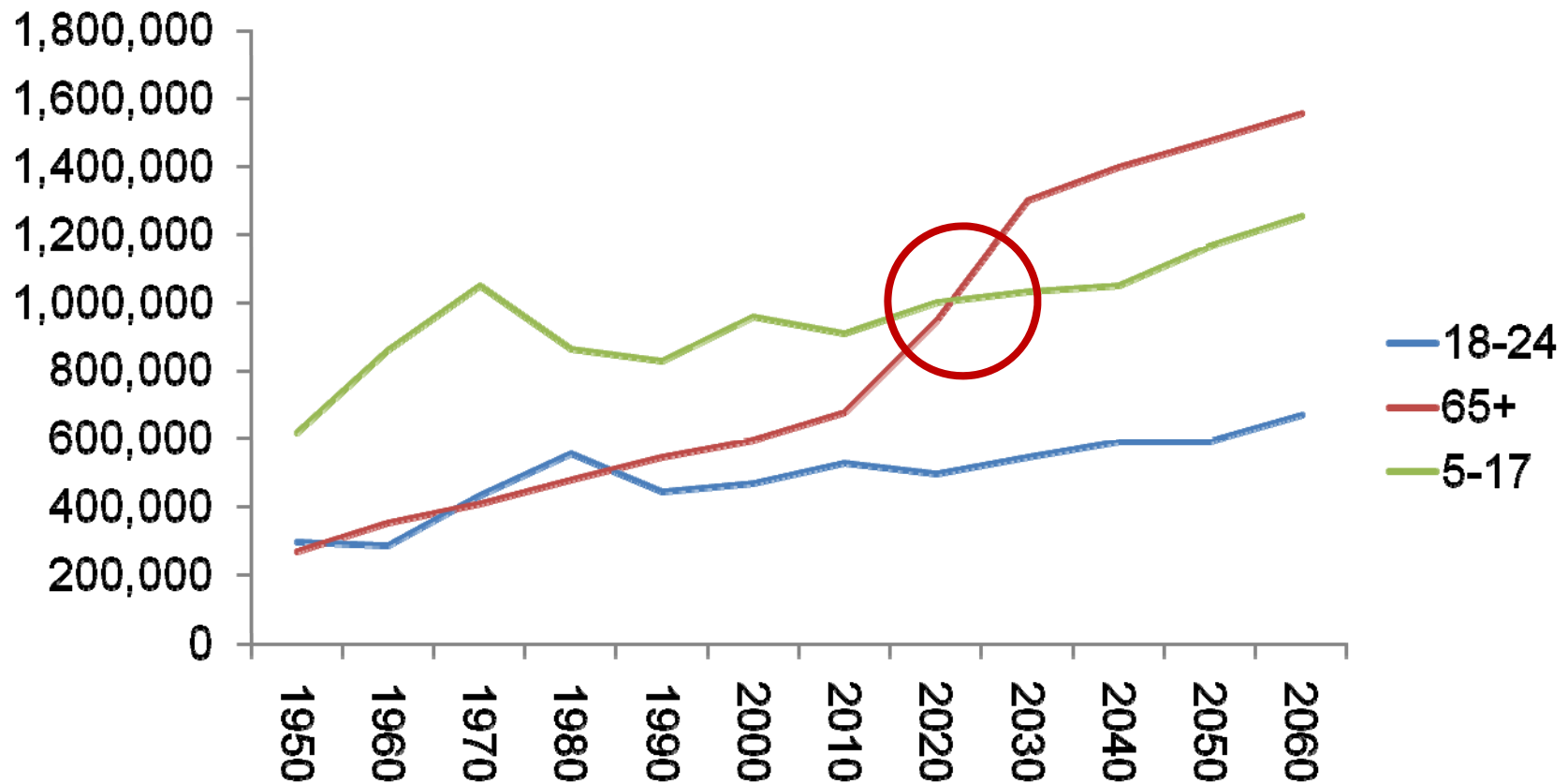
- Why is Own Your Future Important to Minnesota – Lt Governor Prettner Solon
- Minnesota's Long-Term Care Reform and Own Your Future – Loren Colman
- Details of Own Your Future Product Availability Efforts – LaRhae Knatterud



Why is Own Your Future Important to  
Minnesota

Lt Governor Prettner Solon

# For the first time in MN history: More 65+ than school-age by 2020

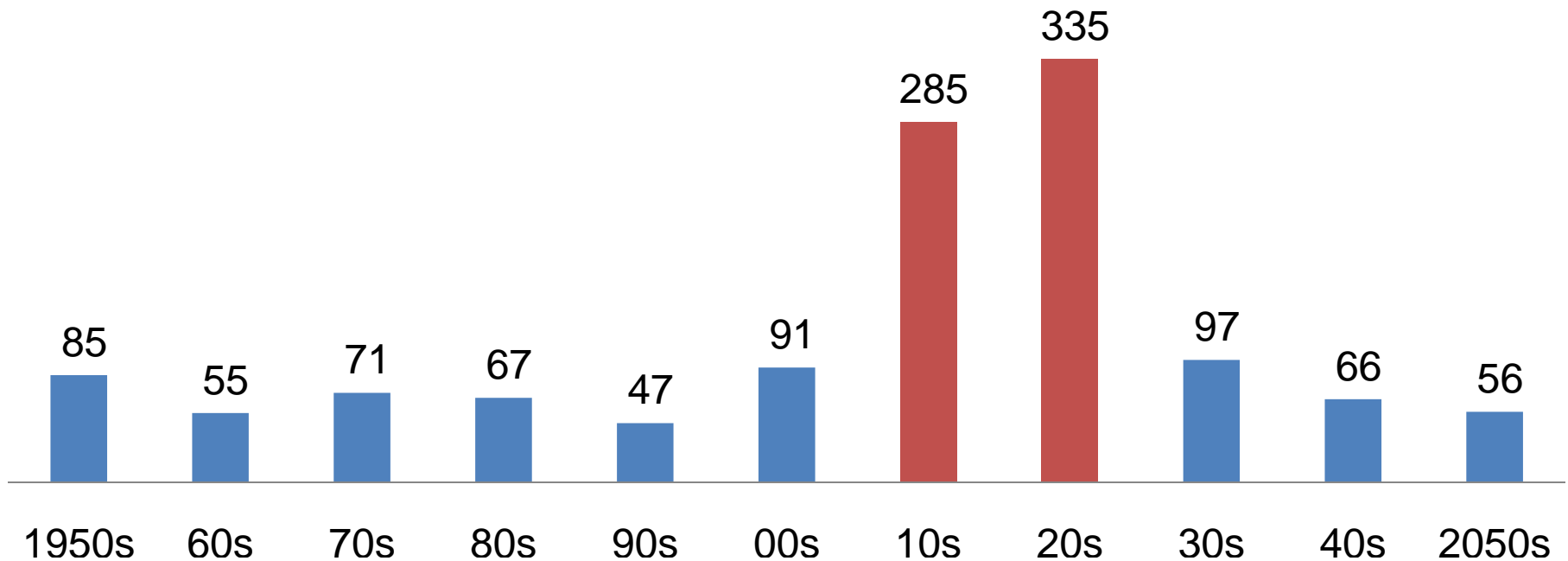


U.S. Census Bureau & Minnesota State Demographic Center

# Number of older adults will increase substantially during the next 20 years



Change in older adults, age 65+ (Thousands)

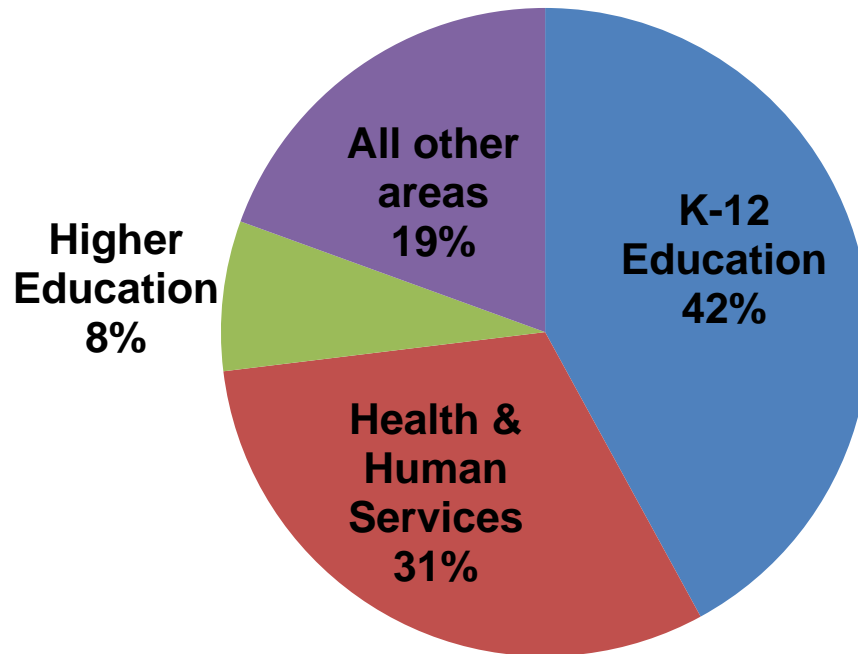


U.S. Census Bureau & Minnesota State Demographic Center

# Increasingly our demographics will change the demand for services



## General Fund Expenditures FY 2012-2013

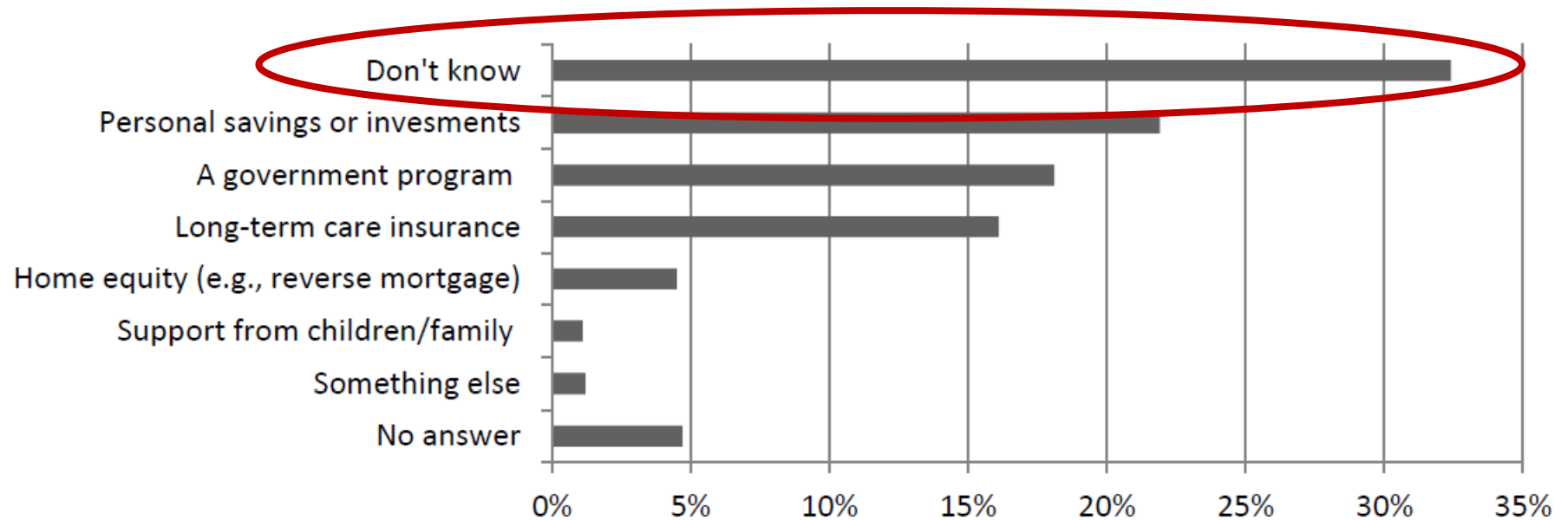


## Within Health & Human Services

- **Medical Assistance Expenditures:** 25% of General Fund (\$8.5 billion)
- **Medical Assistance Expenditures for the Elderly and Disabled:** 16% of General Fund (\$5.5 billion)
- Medical Assistance expenditures include basic care, long-term care waivers and long-term institutional care

Minnesota Management and Budget, February 2013. House Research, Long-Term Care Services for the Elderly, November 2012

# Plans to Cover the Cost of Long Term Care, Baby boomers in MN



Transform 2010 Survey, Minnesota Department of Human Services

# Own Your Future



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October 2, 2012

Dear Minnesota Employer:

I am writing to ask for your help in distributing materials to your employees about an initiative of the Dayton-Prettner Solon Administration called **Own Your Future**. It is a joint federal/state public awareness effort to urge Minnesotans to create a plan for their long-term care, including how they will pay for these services. Many people mistakenly believe Medicare or their health insurance will pay for long-term care. In fact, they do not.

**Own Your Future** addresses the dramatic increase between now and 2030 in the number of Minnesotans who will require long-term care (help with daily tasks such as personal care and household chores) and the need to increase the use of private financing options to pay for these services. Without additional private resources, the state could see significant and unsustainable increases in our future public long-term care budgets.

The main feature of **Own Your Future**—already implemented by 26 other states over the past seven years—is a letter sent by the Governor to households in the state, urging them to take action to prepare for their long-term needs.


Today, one million Minnesota households ages 40 - 65 will begin receiving this letter from Governor Dayton and me. The letter will direct them to the **Own Your Future** website at [mn.gov/ownyourfuture](http://mn.gov/ownyourfuture) where they can get the information they need to create a plan.

What you can do

- Employees see their employers as a credible source of information about long-term care.
- Emphasize the messages in the letter from Governor Dayton and me that many of your employees will receive, and direct them to the website [mn.gov/ownyourfuture](http://mn.gov/ownyourfuture).
- Distribute materials from the OYF Tool Kit to your employees.
- Encourage your employees to contact Minnesota One-Stop Shop at 1-800-333-2433 if they need help getting started with their long-term care plan.
- Become an “early adopter” and be recognized on the **Own Your Future** website.

Thank you for your attention to this critical issue that touches us all.

Sincerely,

  
Yvonne Prettner Solon  
Lieutenant Governor

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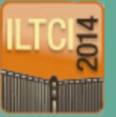




## Minnesota's Long-Term Care Reform and Own Your Future

Loren Colman

# “Visionary Incrementalism”

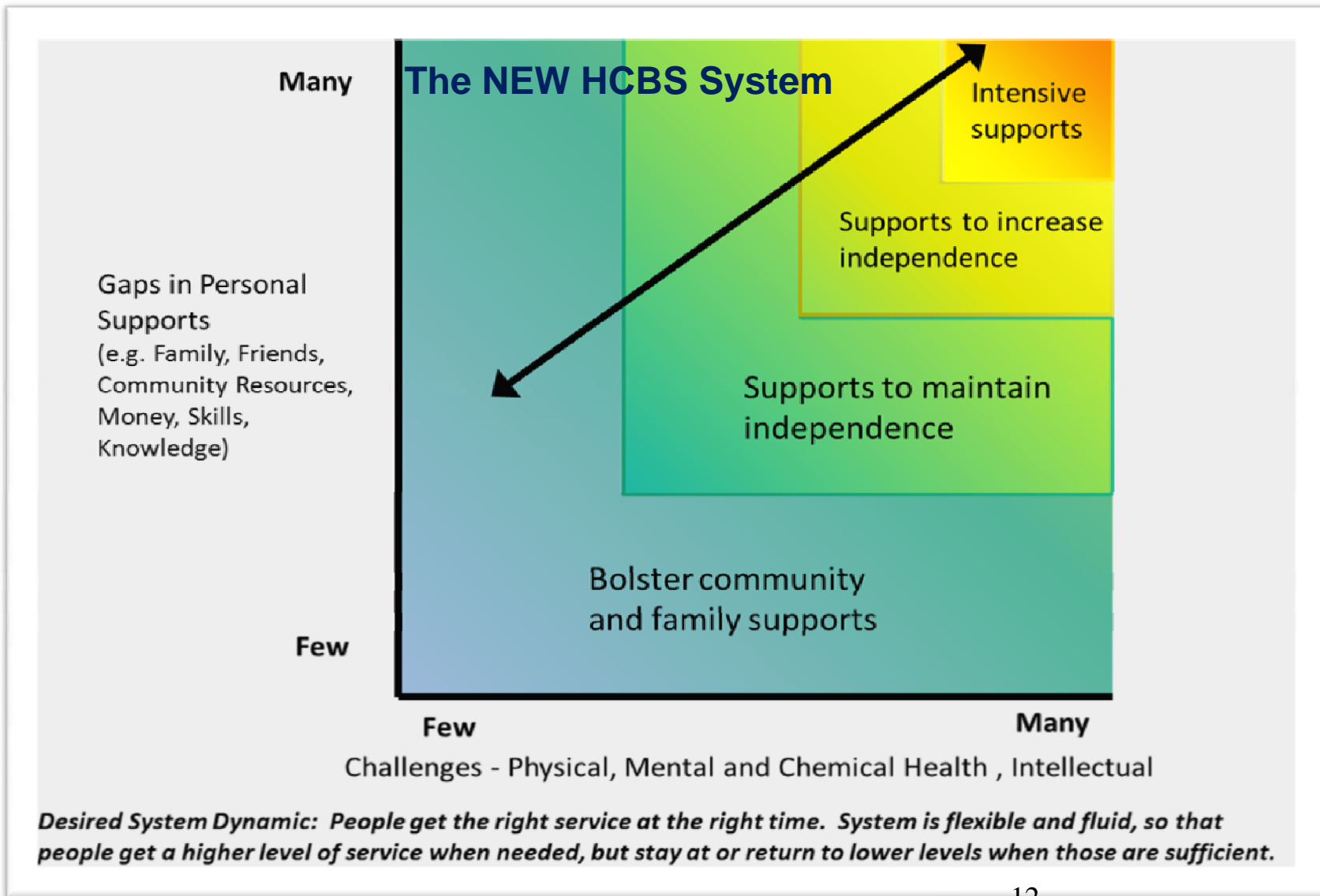


- Our current LTC system is the result of 25 or more years of planning and incremental changes with our eye on a consistent vision.
- “Reduce our reliance on institutions and congregate settings, and help individuals remain in or return to the community”
- We are grateful to our Administration and the Legislature for investing in strategies to make these reforms a reality.

Key elements of our current reform of long-term services and support (Reform 2020)

1. Providing information to empower people
2. Helping when needs are low
3. Helping individuals to remain in or move to the community
4. Downsizing institutions and improving care
5. Measuring and reporting quality of services

# Key to Reform: Helping When Needs are Low



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6. Strengthening protective services
7. Partnering with providers and encouraging innovations
8. Ensuring full participation in society by older adults and persons with disabilities
9. Looking to the future

- Our LTSS reform is focused on service delivery and the way that Medical Assistance (MA) pays for services
- We recognize that we also need prevent individuals from needing the MA safety net in the first place
- Own Your Future provides us with a vehicle for addressing this critical issue

## Details of Own Your Future Product Availability Efforts

LaRhae Knatterud

- OYF was federal/state effort to encourage individuals to plan for their long-term care, including how to pay for it.
- Minnesota launched its public awareness campaign in October 2012, directing individuals to an OYF website.
- Minnesota added two components:
  - Make more affordable/suitable LTC products available to middle-income households.
  - Evaluate changes to MA to better support private payment for LTC.



- **Subgroup make-up:** Members from the OYF advisory panel and external experts
- **Subgroup Charge:** “Make recommendations on insurance, financial, or related products that should be available to middle-income to help pay for LTC. Include ways to remove barriers to the greater use of existing products as well as strategies to encourage new approaches to financing of LTC.”

- Provide members with a base of information on current products and new ideas, changes underway in insurance and financial services sectors.
- Defined middle income as households with income between \$50,000 - \$100,000
- Spent significant time, hearing presentations, identifying and researching approaches, analyzing existing products and new concepts.

- Developed set of assumptions
- Set up criteria as a guide for reviewing and analyzing various products and concepts
- Used electronic voting of the overall advisory panel to gauge interest and potential of the products/concepts
- Used subgroup voting to select the proposals with the most potential to bring to market

# Strategies to Help Middle-Income



1. Stimulate the LTCl market to identify better products for the middle-income population.
2. Modify legislation and regulations to allow needed changes in some products.
3. Identify options for including LTC in Medicare supplemental policies.
4. Find easier and safe options to access home equity for LTC.
5. Find easier and safe options for using tax-favored savings for LTC.

# Vision Statement for LTC Financing



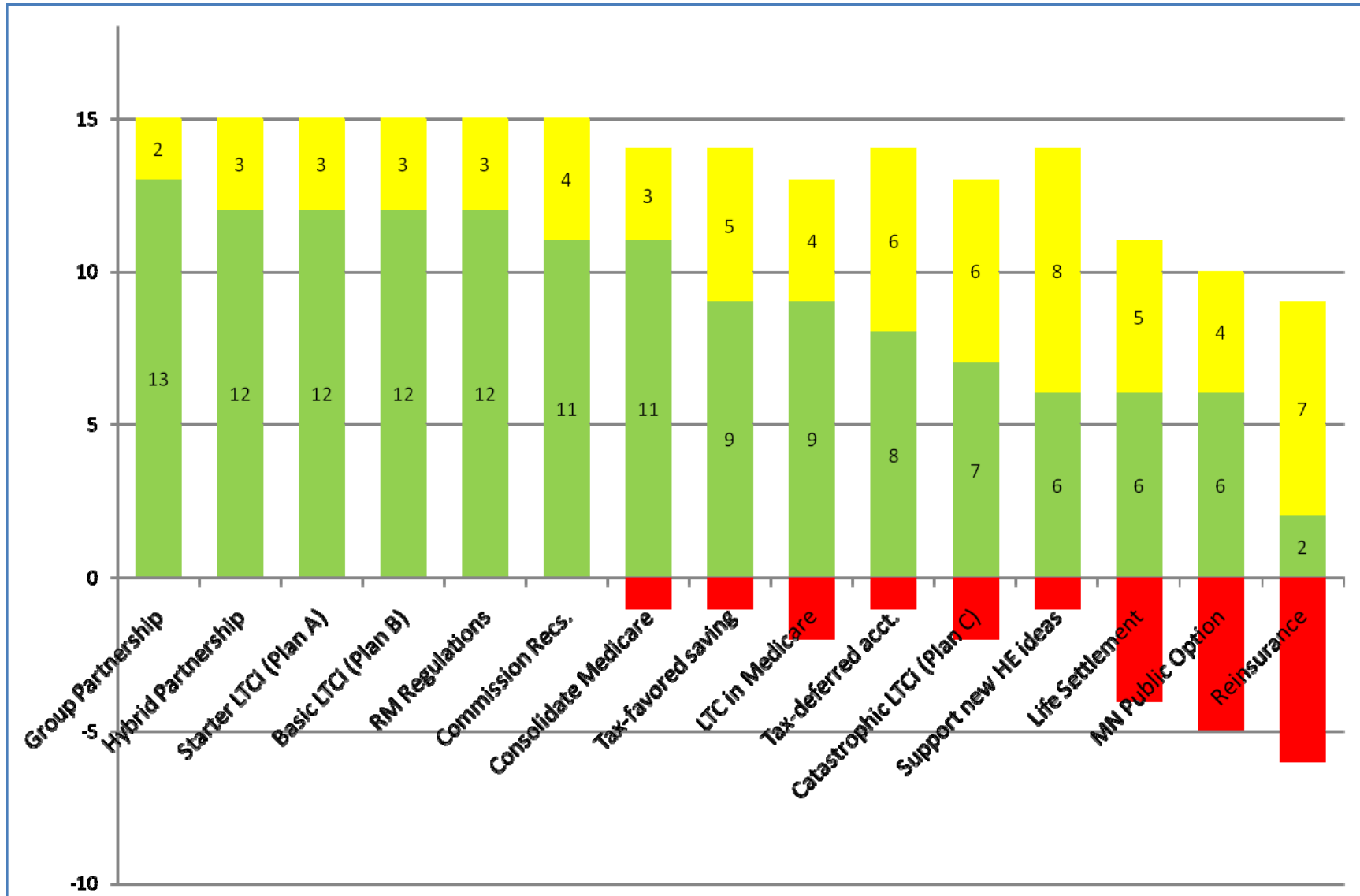
- Middle-income Minnesotans will have insurance and financial product options available to help them plan, pay for, and take personal responsibility for their LTC costs.
- Features of these options:
  - Simplified and streamlined
  - “Short and fat” benefit structures
  - Affordable premiums/payments
  - Strong, understandable consumer protections
  - State-sanctioned support for products that meet defined criteria

# 15 Initial Proposals



Products that stimulate LTCI market	Products that require law or regulatory change	Modernize Medicare and related products	Improve access to and safety of home equity options	Products that use tax-favored savings plans
Plan A: encourage marketing of starter or transition LTCI plan	Work on state reciprocity for group partnership product	Study options to include LTC in Medigap or Advantage plans	Make reforms in MN reverse mortgage laws to improve market and consumer protection	Create new or modify existing an HSA provisions to allow use for LTC protection and expenses
Plan B: encourage marketing of streamlined basic LTCI plan	Work to develop hybrid partnership product	Consolidate the Medicare NF, home health and hospice benefit	Support new options for accessing home equity for LTC	Modify provisions of tax-deferred savings plans to allow use for LTC protection
Plan C: encourage marketing of high deductible, catastrophic LTCI	Study pros/cons of establishing life settlement trust funds	Support federal Commission on Medicare changes		
Study how a public LTCI option might work in MN	Study feasibility of new reinsurance options for LTCI market			

# Proposal Voting Results



# Overarching Recommendations



- Develop a Minnesota LTC Clearinghouse to provide a virtual, single point of contact for consumers on long-term care risk, needs, funding, and other issues.
- Champion changes at the state and national level to support more creative LTC financing options for the middle-income market.
- Minnesota's LTC financing should include both private and public elements and incentives for personal responsibility.



- Develop stronger partnerships with employers, to educate and encourage provision of LTC-related benefits, and the advantage of taking action at younger ages.
- Develop a governance process for next steps.
- Establish a mechanism to obtain consumer feedback on products and options being studied.

# Next Steps for Product Availability



- Conduct preliminary economic and pricing analyses of recommendations
- Reach out to carriers, providers, stakeholders and the MN community for reaction to, input into and support for the plan
- Identify needed legislative and regulatory changes to support plan recommendations
- Conduct market research with target segments of MN middle-income consumers to determine reactions to and input into the recommendations.
- Start phase 3 – aligning MA provisions to better support use of private options.

# Contact Information



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