

Alternative Solutions

State Innovations for LTC Financing

Tuesday March 24, 2015

10:45 – 12:00



15th Annual Intercompany Long Term Care Insurance Conference

- John O’Leary, Producer/Moderator
- Speakers:
 - Olivia Mastry, The Collective Action Lab
 - Larry Minnix, LeadingAge
 - Loren Colman, Minnesota DHHS

Alternative Solutions

Fostering State Level LTSS Reform

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PATHWAYS



ILTCI



15th Annual Intercompany Long Term Care Insurance Conference

Phase I: Pathways Report



A LEADINGAGE FINANCE TASK FORCE REPORT

LeadingAge PATHWAYS:
*A Framework for Addressing
Americans' Financial Risk for
Long-Term Services and Supports*



October 2013
Final Report: Phase 1

Selected Participants



Kathryn Roberts , <u>Ecumen</u> (Chair)	Howard Gleckman , Urban Institute	Deb Whitman/Don Redfoot , AARP
Larry Atkins , Long Term Care Quality Alliance	William Hoagland/Katherine Hayes , Bipartisan Policy Ctr.	John Rictor/Nicole Fallon , <u>CliftonLarsonAllen</u>
Gretchen Alkema , The SCAN Foundation	Jeff Little , Thrivent	Matt Salo , Nat'l Assoc. of <u>Med'l Directors</u>
Howard Bedlin , Nat'l Council on Aging	Alvin Lowenburg , Morningside Ministries	Regina Shih/Tom Concannon , RAND Corp.
Cecil Bykerk , Actuarial Society/Bykerk Consulting	Dan Lindh , Presbyterian Homes and Services	Mike Simmons , Eli Lilly
Loren Colman , Dept. Human <u>Svs.</u> Minnesota	Larry Minnix , LeadingAge	Tom Slemmer , National Church Residences
Daniel Crippen , Nat'l Governors Assn.	Mark McClellan , Brookings Institute	Doug Struyk , Christian Health Care Center
David Ferguson , American Baptist Homes of the West	Sam Morgante , <u>Genworth</u>	Don Shulman , Assoc. of Jewish Aging Services
Constance Garner , Foley, Hoag, LLP	John O'Leary , O'Leary Marketing	Audrey Weiner , Jewish Home <u>Lifecare</u>

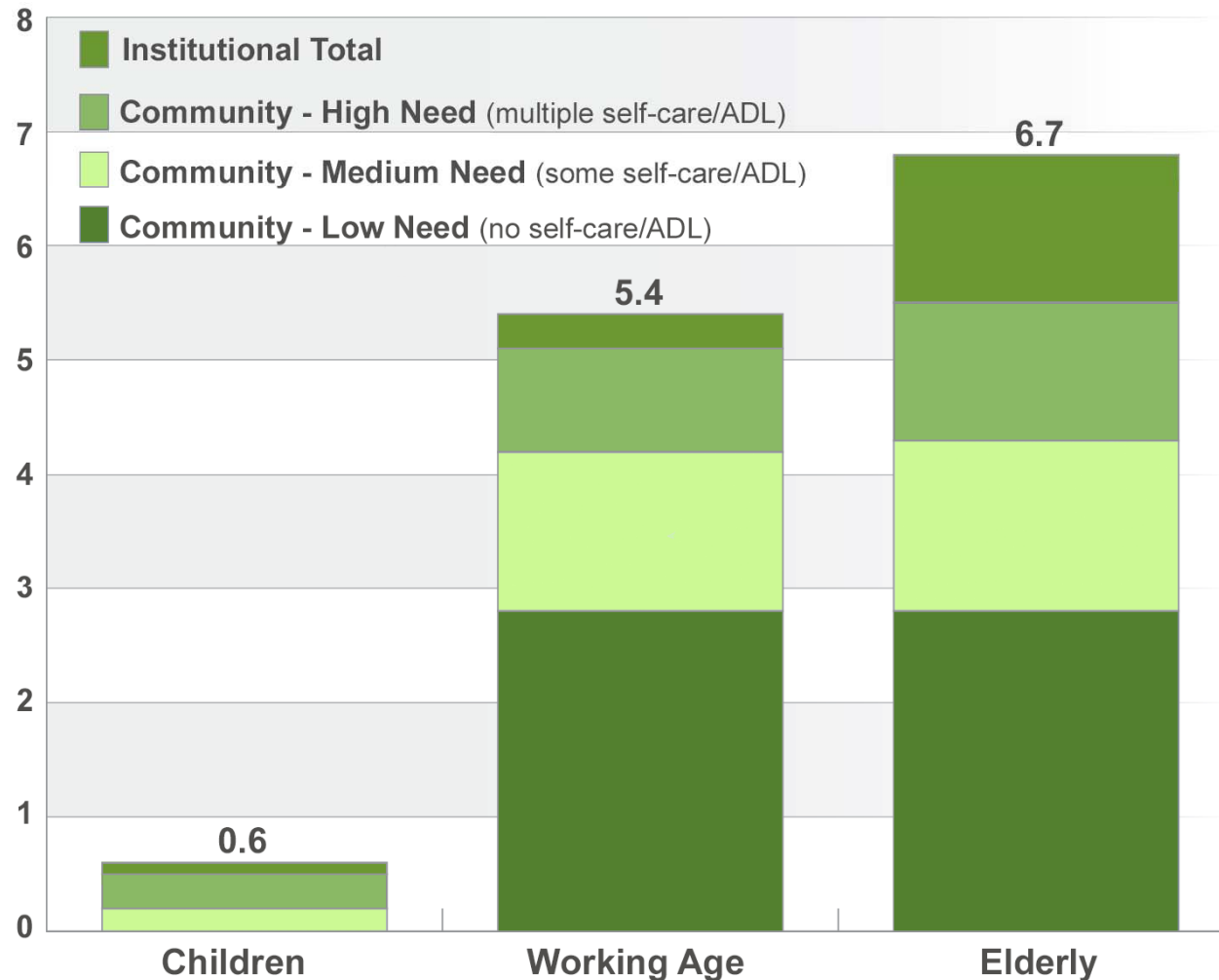
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*Are we heading into
the Perfect Storm?*



Who Uses LTSS in the US Today?



12.7
million
Americans
Need LTSS

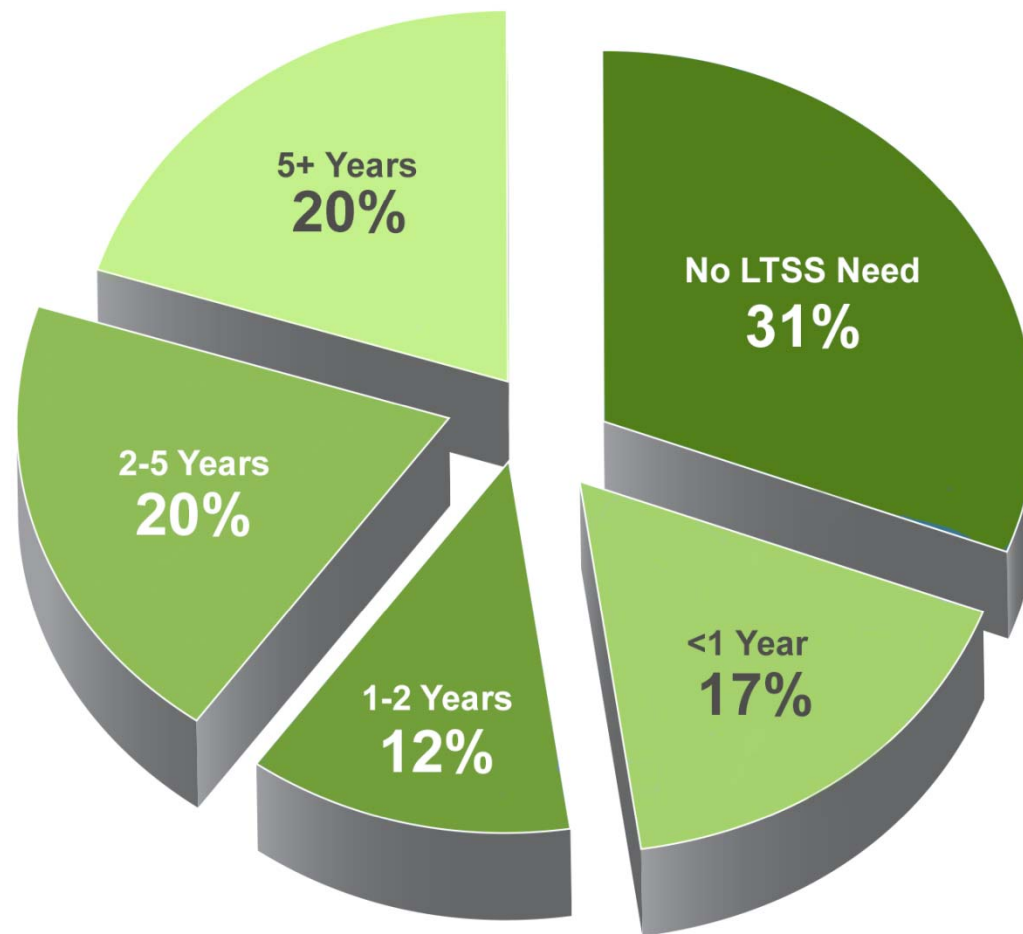
80%
of which is provided
in home and
community settings

Population Needing LTSS, by Age Group and Level of Need (Millions)

Expected Future Needs for LTSS

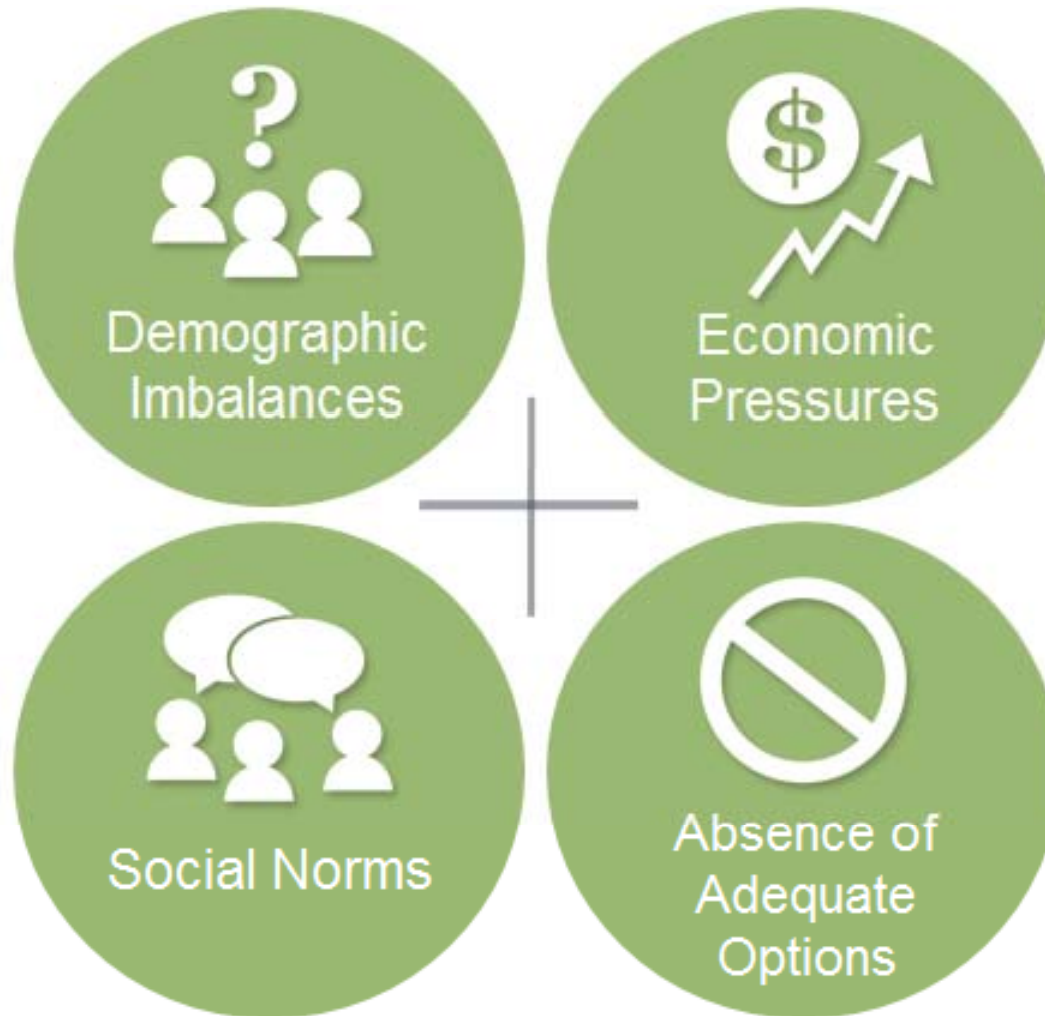


70% of
People
65+ will
need
some
LTSS



Source: Kemper, Komisar, and Alecxih, 2005. Outputs of model using March 1993 and March 1994 CPS data.

What are the Perfect Storm Conditions?



Demographic Imbalances?



Demographic Imbalances

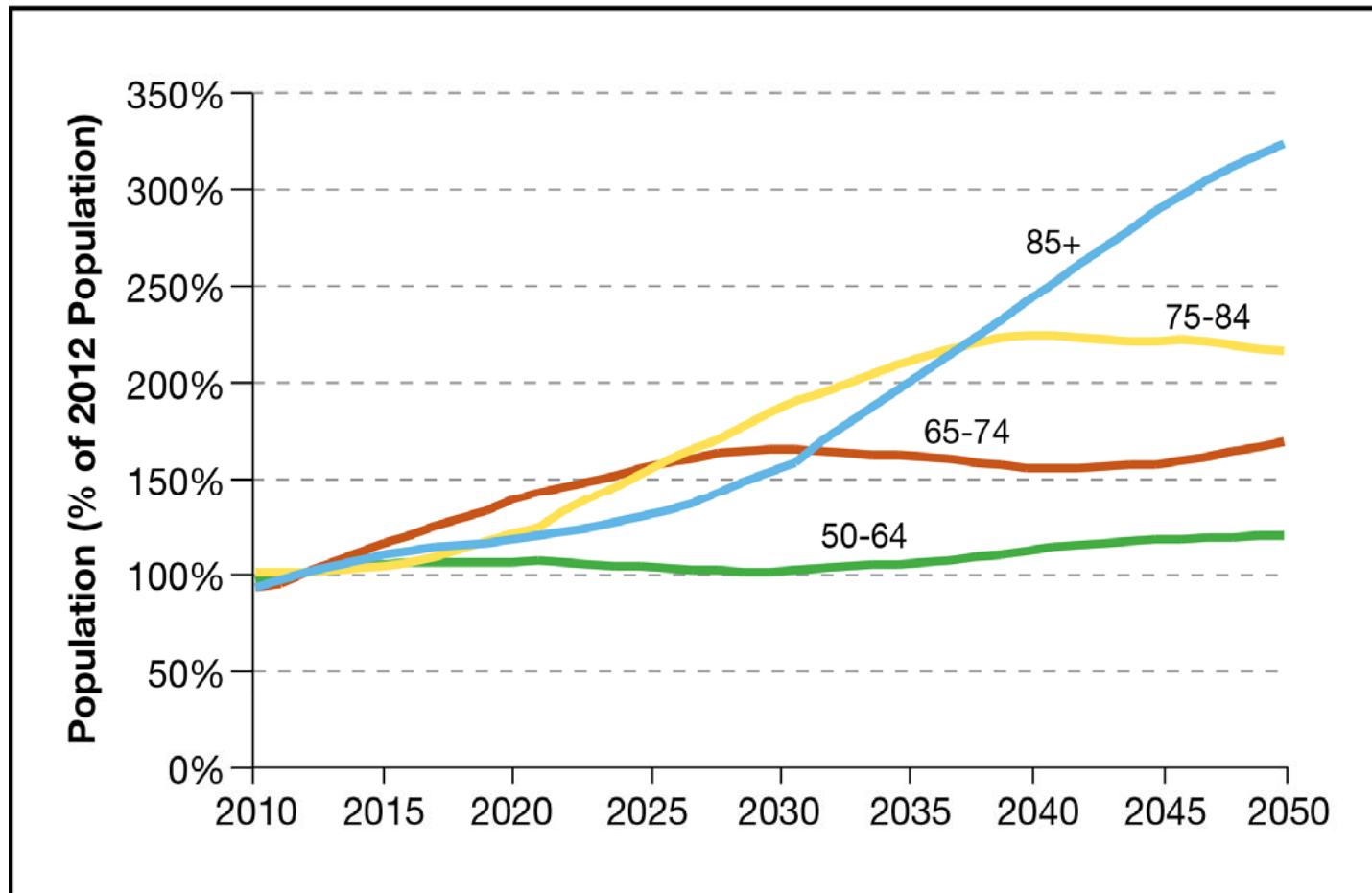
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Aging U.S. Population Increases Need for LTSS

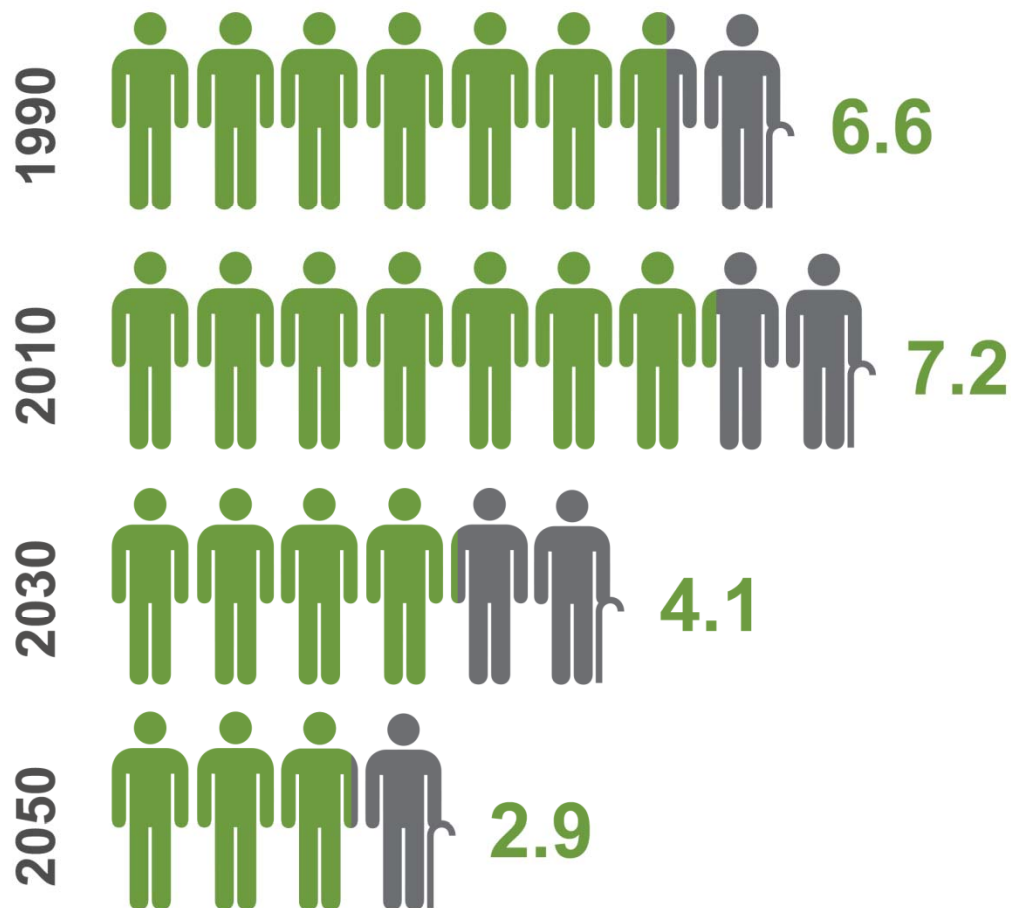


Projected Growth in the Older Population in the United States as a percentage of 2012 population, by Age Group



AARP “Across the States, Profiles of Long Term Services and Supports,” 2012

The Caregiver Dilemma



1/2
as many
caregivers
will be
available in
2050

Ratio of Potential Caregivers to Those Needing Care¹

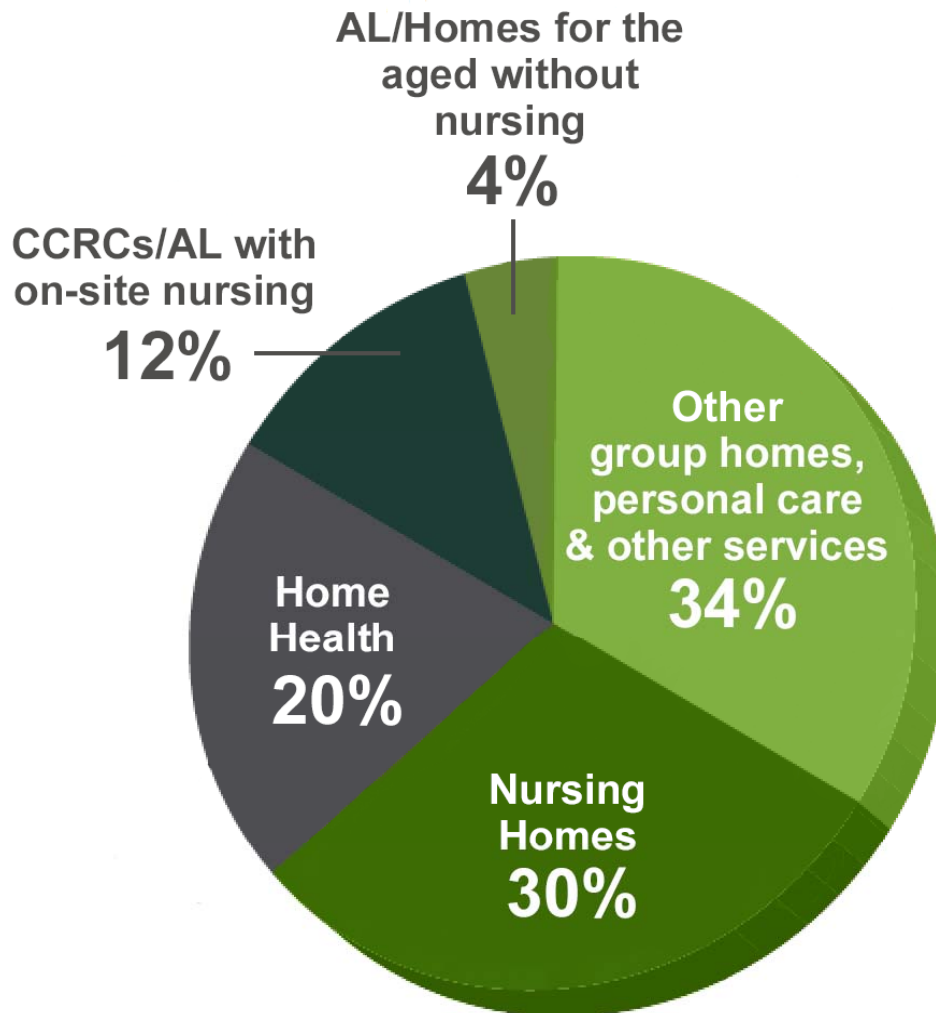
AARP, PPI, "The Aging of the Baby Boom and Growing Care Gap: A Look at Future Declines in the Availability of Family Caregivers."



Economic Pressures

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US LTSS Expenditures



2011 LTSS =
\$363 billion

Source: Manard, B. Analysis of data in National Health Expenditures (2011); U.S. Census Bureau 2007 Economic Census; and National Health Expenditure Accounts Methodology paper, 2011; Feinberg, et. Al., "Valuing the Invaluable," 2011 Update..

LTSS Funding Sources

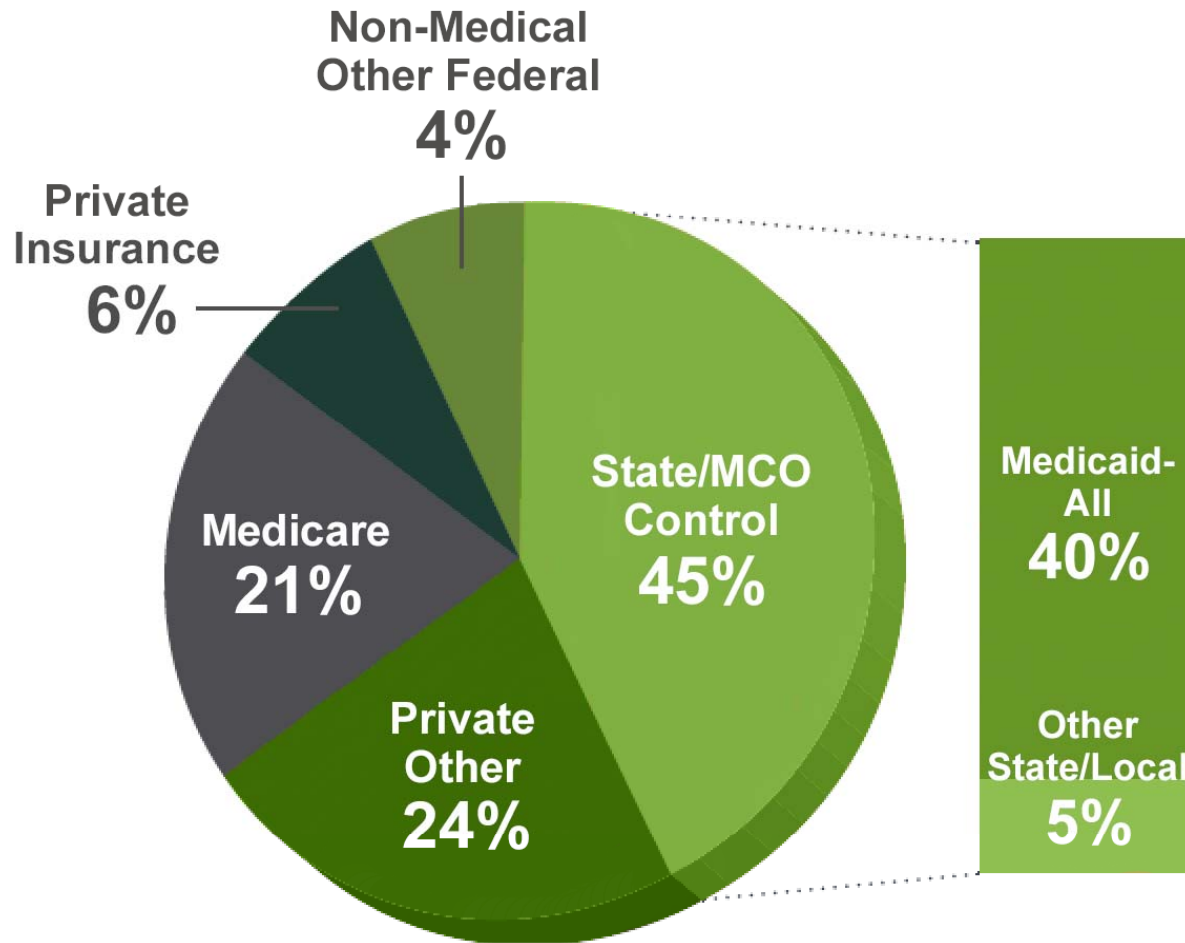
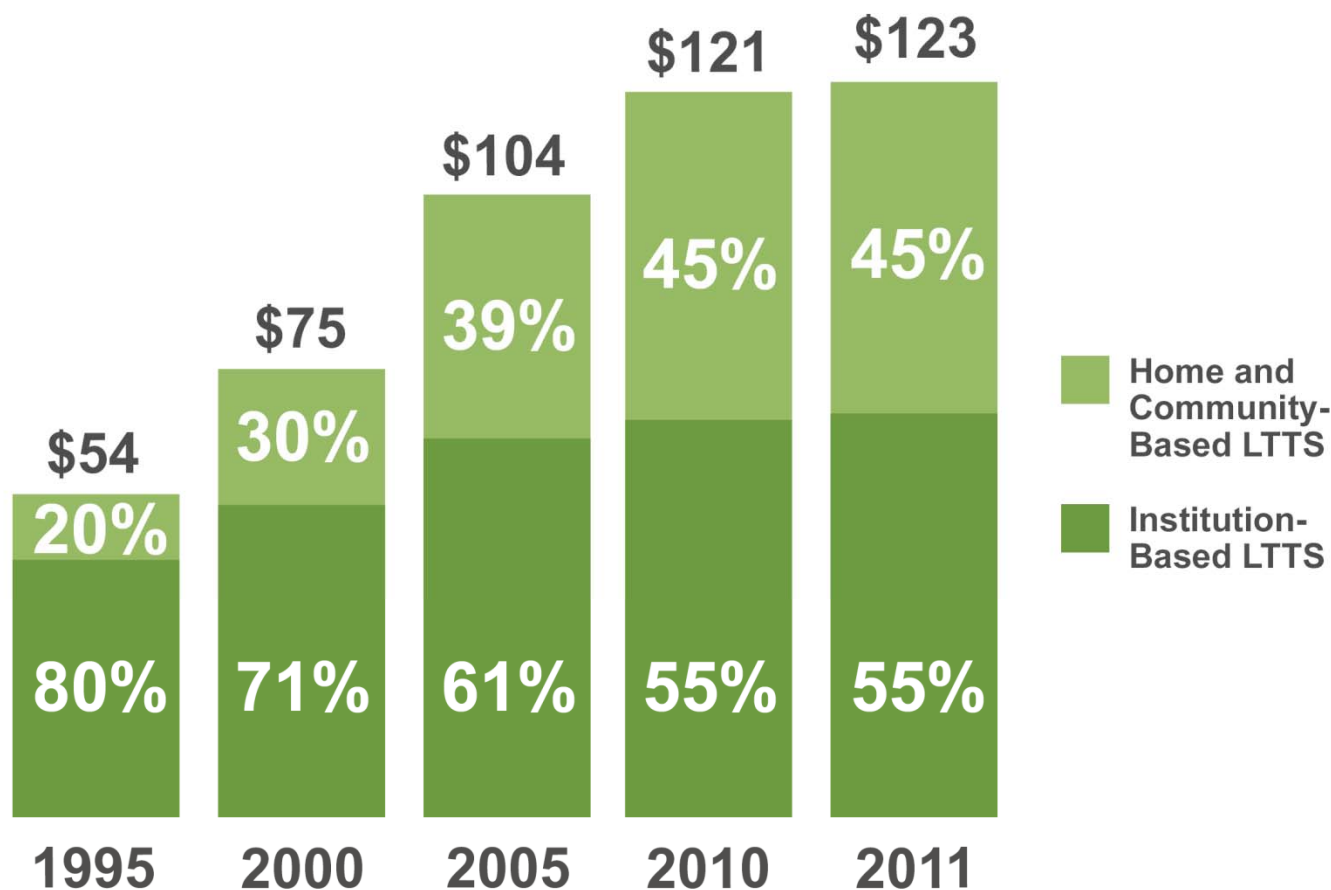


Figure does not include unpaid family care valued at \$450 billion annually

LTSS Funding by Program

Source: Manard, B., Analysis of data in National Health Expenditures (2011); U.S. Census Bureau 2007 Economic Census; and National Health Expenditure Accounts Methodology paper, 2011

Impact on Medicaid Budgets



LTSS = 27%
of federal Medicaid expenses in 2013¹

Medicaid has become the default LTSS funding source

Growth in Medicaid Expenditures, 1995-2011

Source: KCMU and Urban Institute analysis of CMS-64 data

¹ Congressional Budget Office "Baseline Projections 2014"

Impact on Medicaid State Budgets



2012

Medicaid became the largest single component of state spending, nationwide.

23.8%

2011

23.7%

2012

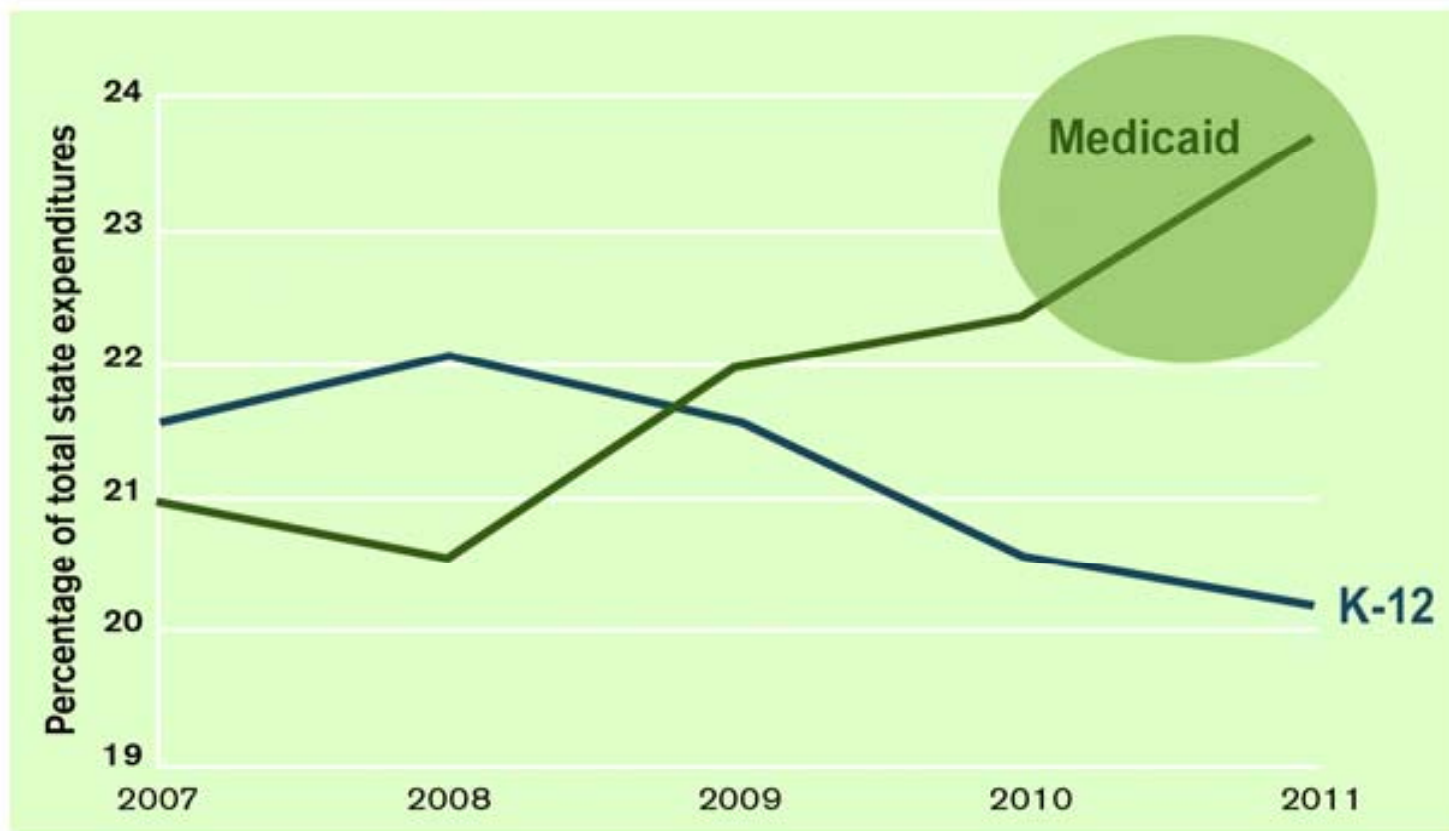
24.4% (est.)

2013

National Average % of State Spending;

National Association of State Budget Officers "Report of the State Budget Crisis Task Force 2012";
"State Expenditures Report 2011-13"

Medicaid- Crowding Out Other State Budget Expenditures

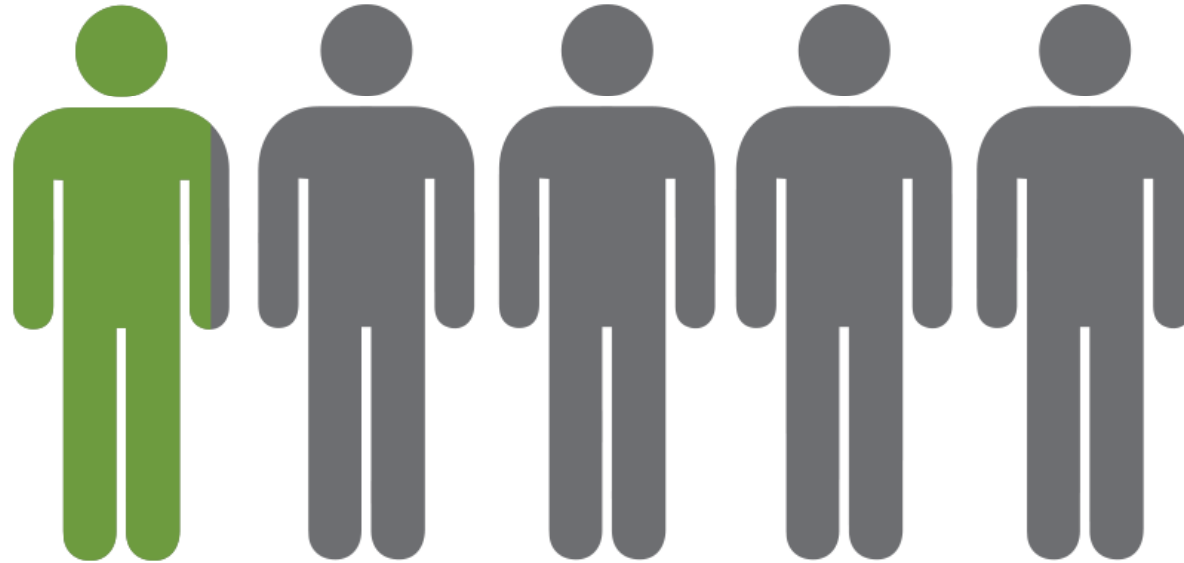


Note: Figures are for total state expenditures, including both general fund spending and federal funds
Source: National Association of State Budget Officers (NASBO), State Expenditure Report, 2010



**Social Norms: Awareness,
Knowledge, Planning and Policy
Heritage**

Boomers are Not Prepared



Less than 1 in 5 Boomers have taken any action to prepare for LTSS care.

More Boomers Prepare for Death than Life



17%
Have prepared
for care during life



81%
Have prepared
for death

Approximately
5x more
Boomers have
taken action to
prepare
for death
vs. life

Action Taken to Prepare for Life vs. Death

Source: Retirement Care Planning: The Middle-Income Boomer Perspective, Bankers Life and Casualty Company Center for a Secure Retirement, August 2013

Boomers II Informed Regarding LTSS Need



Boomer Long-Term Care Expectations and Reality

Source: Retirement Care Planning: The Middle-Income Boomer Perspective, Bankers Life and Casualty Company Center for a Secure Retirement, August 2013

Poorly Informed Regarding LTSS Costs



Home Health
Aide Estimate
(hourly cost)



Nursing Home
Care Estimate
(annual cost)

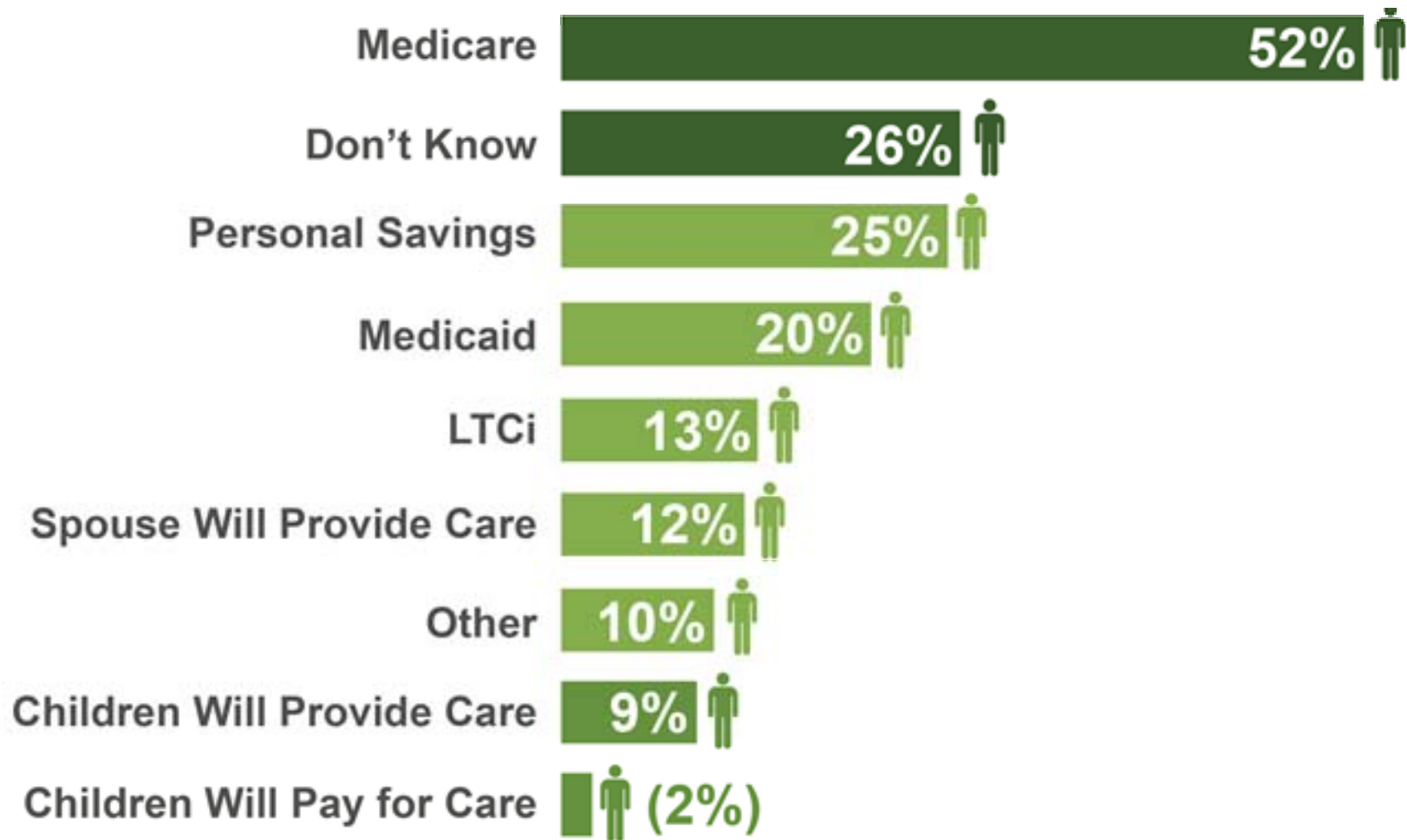
■ Don't Know Costs ■ Provided a Response

Approximately
80%
of Boomers
don't
know
estimated
costs of care

Pervasive Care Cost Uncertainty

Source: Retirement Care Planning: The Middle-Income Boomer Perspective, Bankers Life and Casualty Company Center for a Secure Retirement, August 2013

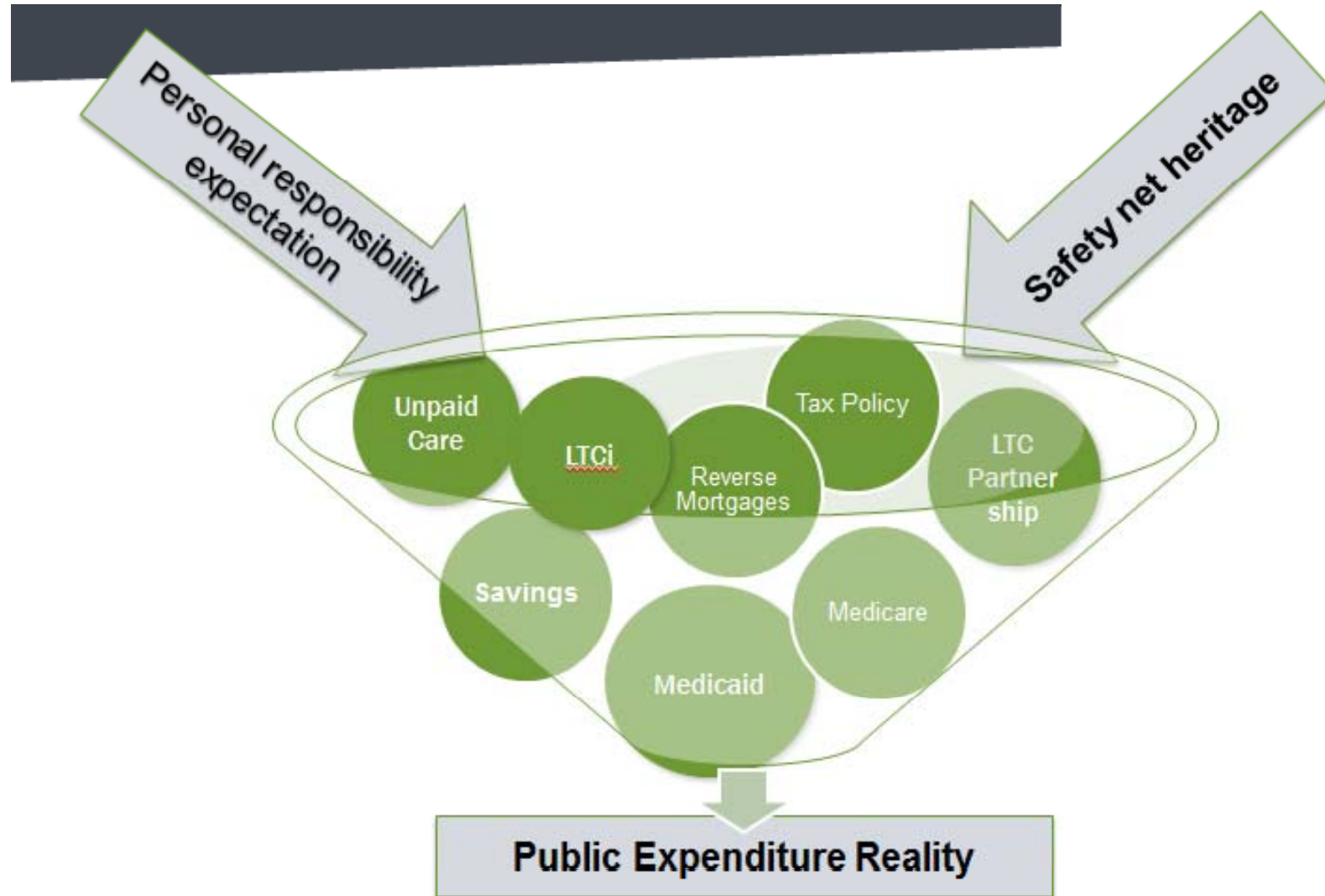
Poorly Informed Regarding LTSS Payment



Perceived Methods for Funding Ongoing Long-Term Care

Source: Retirement Care Planning: The Middle-Income Boomer Perspective, Bankers Life and Casualty Company Center for a Secure Retirement, August 2013. LTCi = Long Term Care Insurance

LTSS Policy Heritage in US

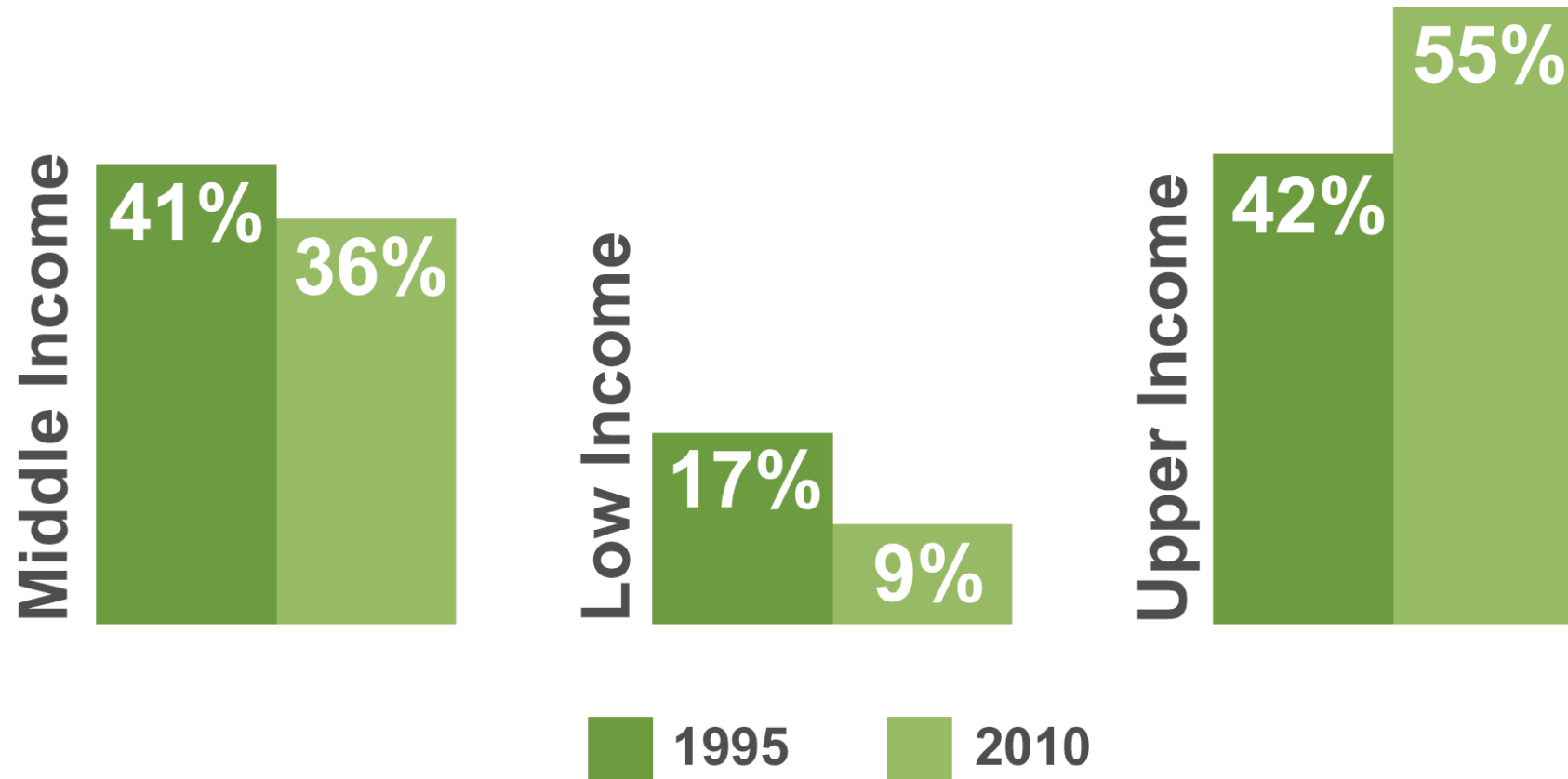




**Absence of Adequate Options to
Address LTSS Needs**

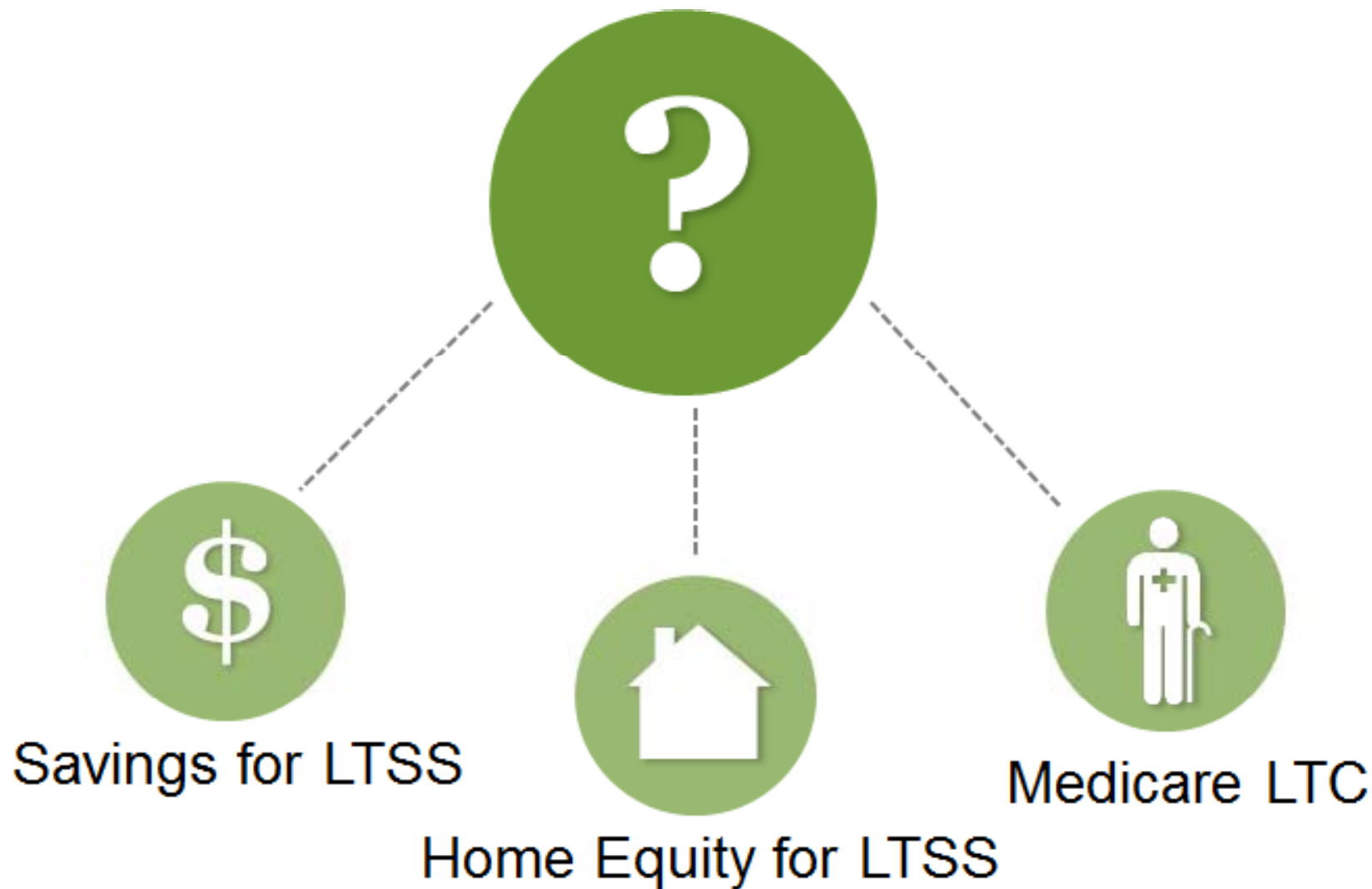
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Current LTCI Situation: Middle Income Void



The Share of LTC Sales to the Middle Income Market Age 40-69 is Declining

Savings and other Potential LTSS Financing Options Fall Short



Why Does this Matter? And To Whom?



- Current and future older Americans
- Caregivers
- Families
- Employers and employees
- Private Insurers
- States
- Federal government
- Taxpayers

How Might We Weather the Storm?

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Define the Problem



Our country and its people cannot meet their long-term service and support needs.

Pathways to LTSS Reform

In 2013 LeadingAge initiated Pathways to foster federal and state reform.



Pathways: overall initiative summary

WHAT?

Foster state and federal LTSS reform that helps our country and its people prepare and pay for LTSS.

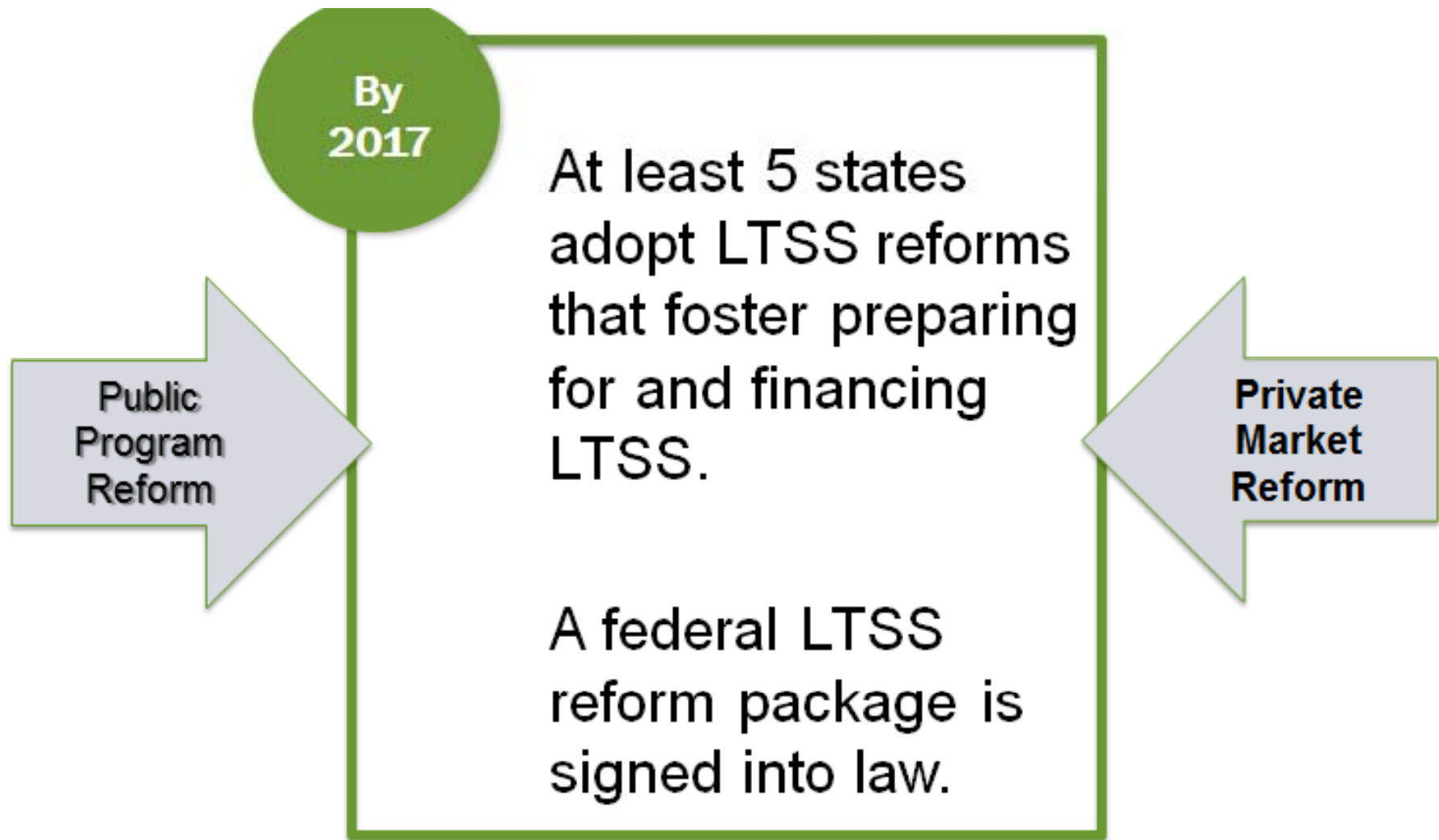
HOW?

1. Messaging/Mobilization
2. Federal Proposal Development
3. State Conversations and Action
4. Political Alignment

DESIRED OUTCOMES



Pathways: Desired Outcomes



Pathways: Federal Reform

Foster Adoption of Federal LTSS Package

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Federal Reform Pathways



- 1** Status Quo
- 2** Personal Responsibility
- 3** Private Market
- 4** Private Catastrophic
- 5** Public Catastrophic
- 6** Public Front End
- 7** Public Comprehensive



- ▶ Expectation of personal responsibility
- ▶ Public support is primarily safety net (must be impoverished) through Medicaid
- ▶ 70% of expenditures are paid through public sources
- ▶ We currently spend as much as some countries with formal LTSS systems

Can We Do Better?



The U.S. is spending \$ anyway,
so can we do it better?



- ▶ Tighten safety net with intention to spur more private savings and purchase of insurance
- ▶ Government does little to encourage/support private market options



- ▶ Government seeks to activate personal responsibility by encouraging new and more affordable products
- ▶ Government may offer subsidies and tax incentives for purchase
- ▶ May be some vehicle for re-insurance (public or private)

Pathway 4: Private Catastrophic



- ▶ Individuals required to purchase private catastrophic LTC insurance
- ▶ Government may offer subsidies and tax incentives
- ▶ Safety net (Medicaid) becomes primarily for those who can't get covered in private market
- ▶ Reinsurance through portion of catastrophic premium



- ▶ Individuals required to contribute to and participate in public catastrophic LTC insurance
- ▶ Government may offer subsidies and tax incentives for front-end coverage



- ▶ Public program offers basic “front-end” cash and services
- ▶ Limited dollar and/or time limit
- ▶ Reaches more people, more immediately than catastrophic coverage

Pathway 7: Public Comprehensive



- ▶ Combines public front-end and catastrophic coverage in a comprehensive program
- ▶ Participation mandatory or voluntary opt-out
- ▶ Safety net serves only those who can't afford co-pays/deductibles/out-of-pocket

Pathways: State Reform

Support State-Level Conversations
Regarding LTSS Reform



In addition to weighing in on LTSS Federal Reform Pathways:

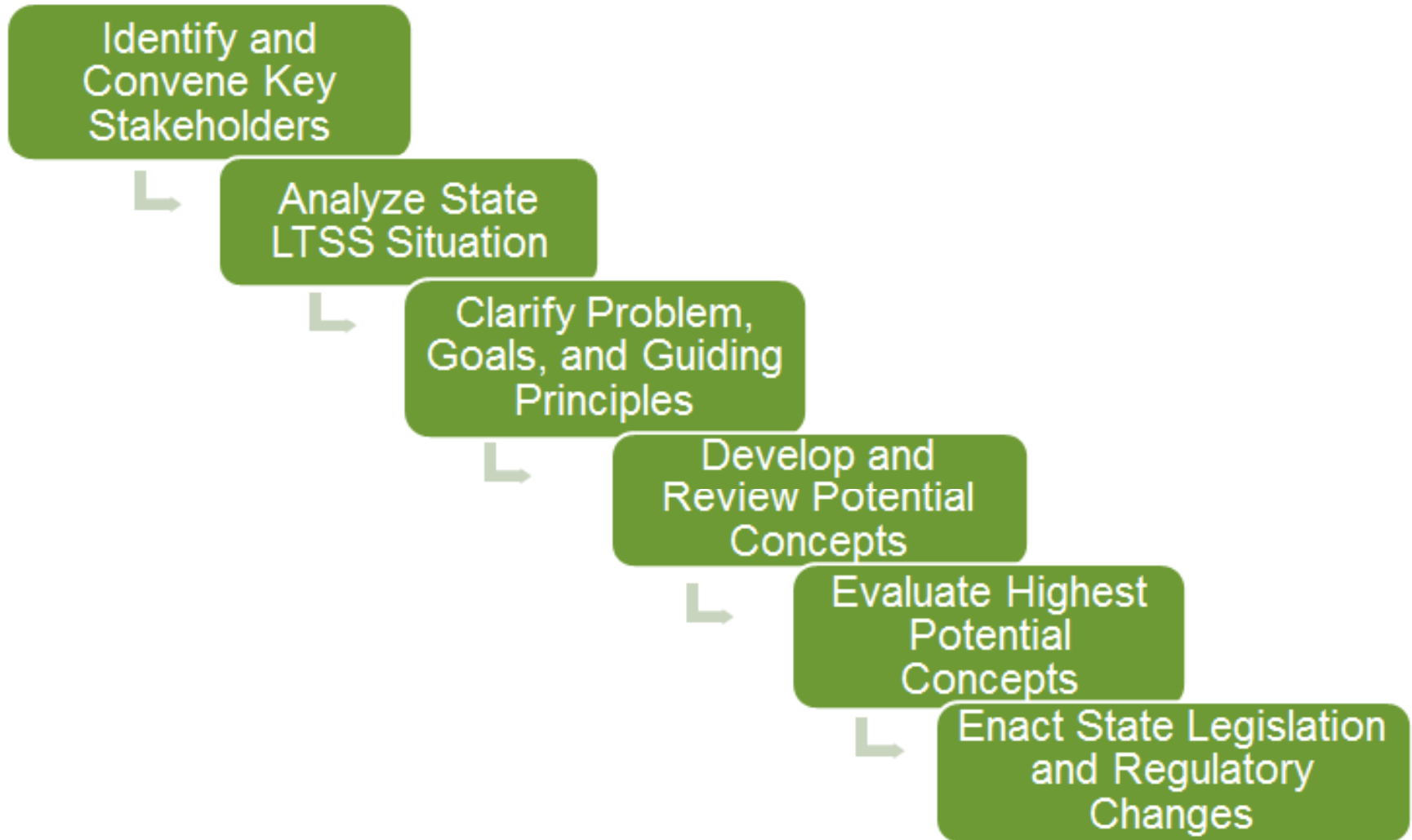
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Build capacity in states to engage in LTSS reform discussion

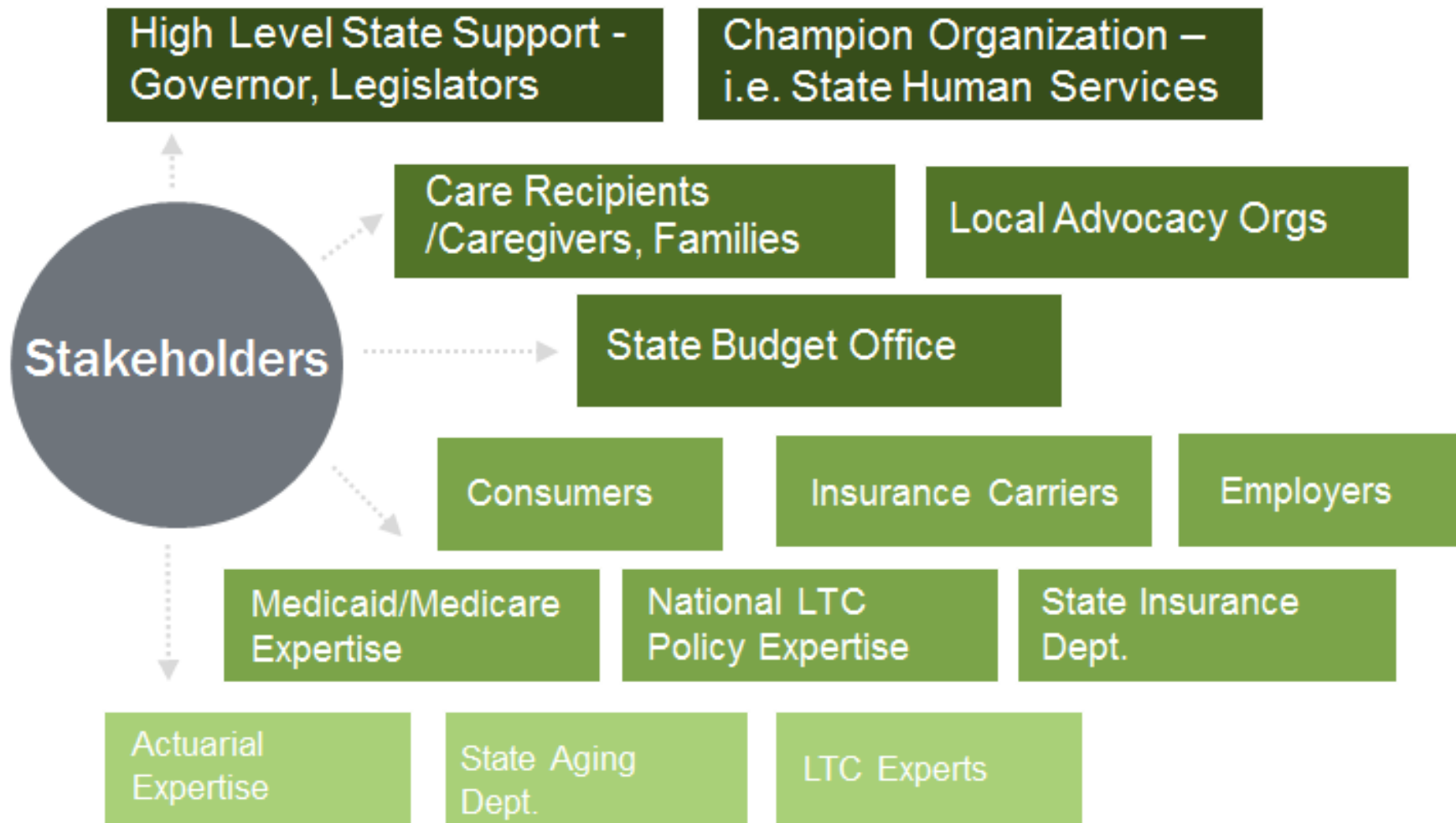
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If feasible, foster state level LTSS reform with emphasis on middle class solutions

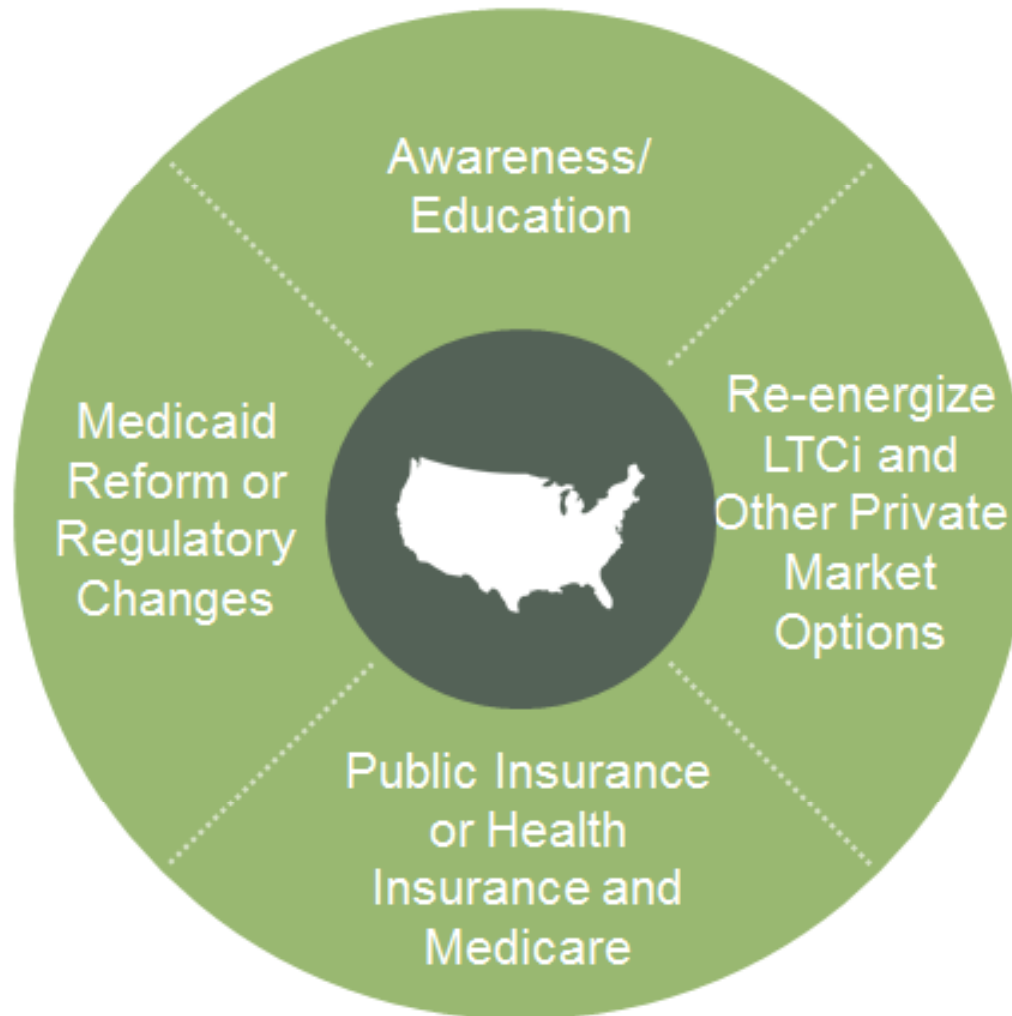
Process Map for Developing State Approach to LTSS Financing

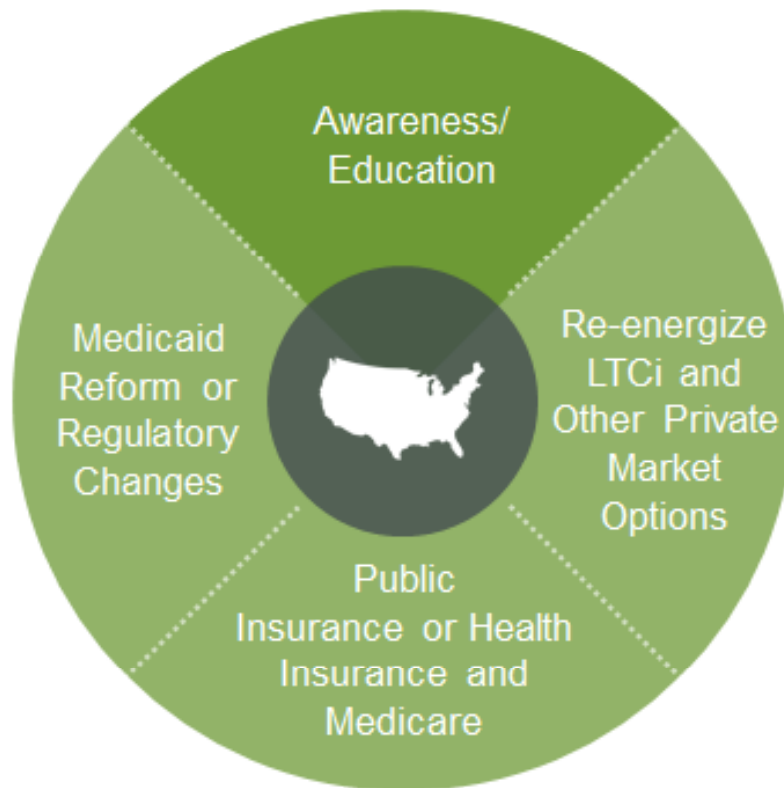


Potential Stakeholder Involvement



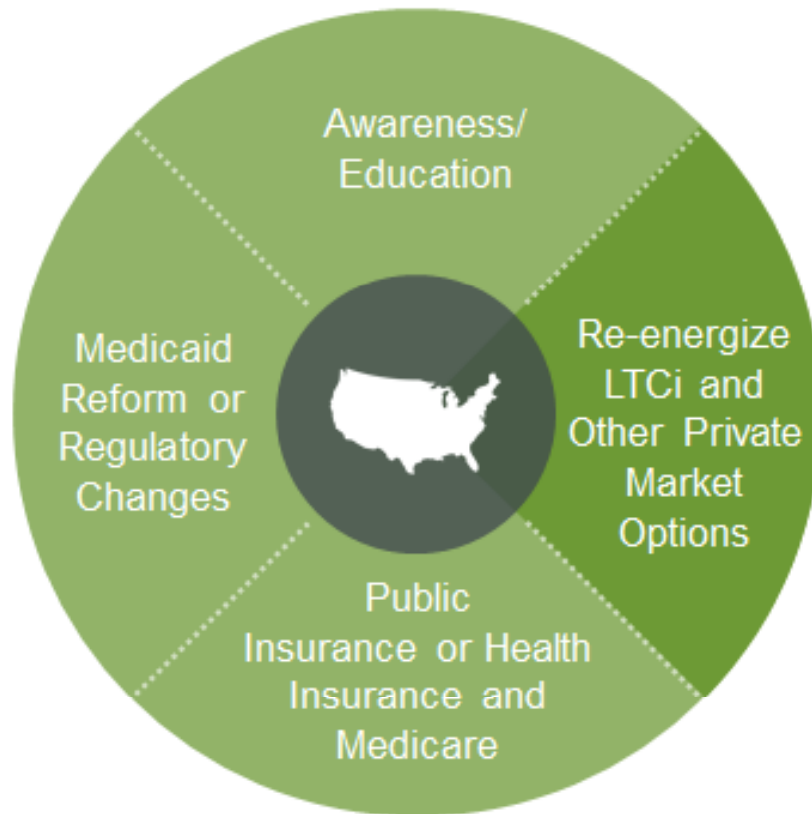
Potential Action Domains





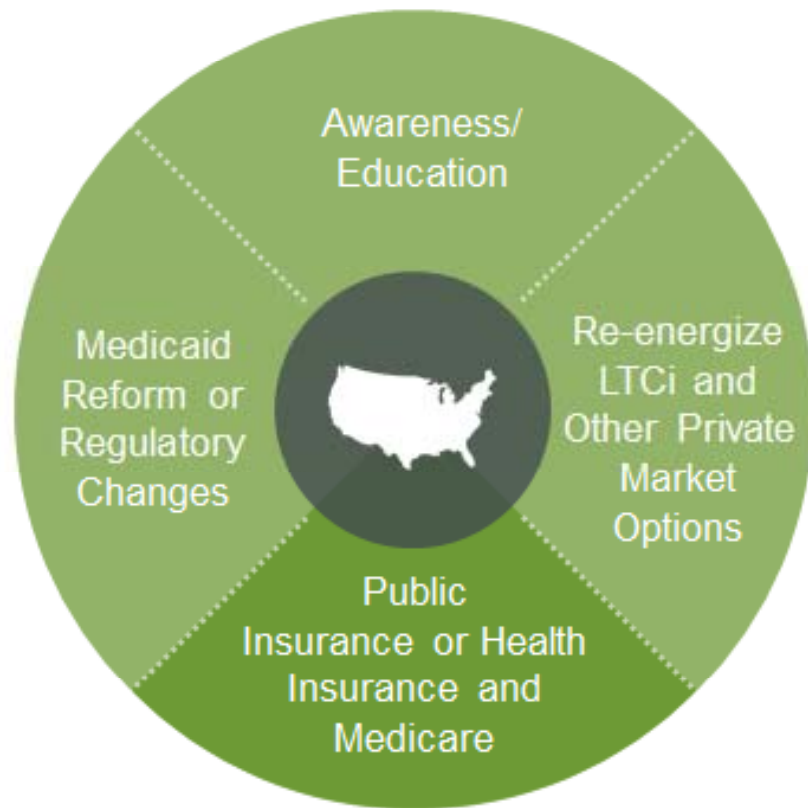
Awareness/Education

- ▶ Own Your Future Campaigns
- ▶ State-Employer joint education
- ▶ LTCi counseling through Health Exchanges



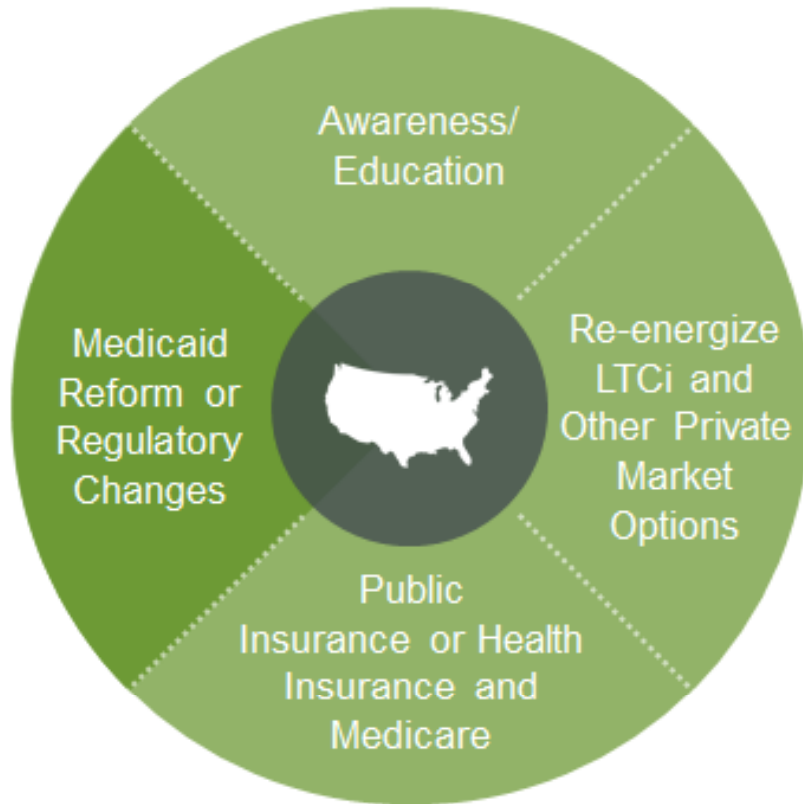
Re-energize LTCi and Other Private Market Options

- ▶ New private insurance options/or regulatory reforms
- ▶ Incent LTC purchase or savings via tax policy
- ▶ Reinsurance pools
- ▶ Other insurance, savings, tax approaches
- ▶ Improve utilization of others consumer assets



Public Insurance or Health Insurance and Medicare

- ▶ Public catastrophic or front end coverage
- ▶ Improve LTSS integration with health insurance, Medicaid and Medicare



Medicaid Reform or Regulatory Changes

- ▶ Re-evaluate spend down requirements
- ▶ Evaluate impact of tighter/looser eligibility
- ▶ Evaluate impact of HCBS rebalancing
- ▶ Develop earlier intervention model to minimize NH stays

Federal Reform

- ▶ Economic and Actuarial modeling
- ▶ Filtering Pathways in light of modeling outcomes
- ▶ Testing “priority” Pathways at grass roots levels

State Reform

- ▶ Identify starter states by year end
- ▶ Reform conversation process throughout 2015
- ▶ Use state reform conversations to inform federal reforms

- California
- Indiana
- Iowa
- Hawaii
- Kansas
- Massachusetts
- Minnesota
- Nebraska
- Ohio
- Texas
- Washington

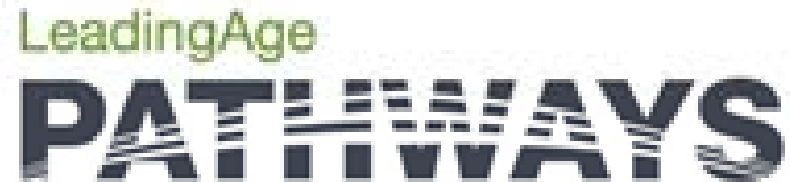
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Questions or comments?



Interest in engaging further with
Pathways?



Olivia Mastry, Independent Consultant,
The Collective Action Lab

Larry Minnix, CEO, LeadingAge

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Innovations and Systems Change: Minnesota's Long-term Care Experience

Loren Colman, Assistant Commissioner,
Continuing Care for Older Adults

Minnesota Department of Human Services

March 24, 2015



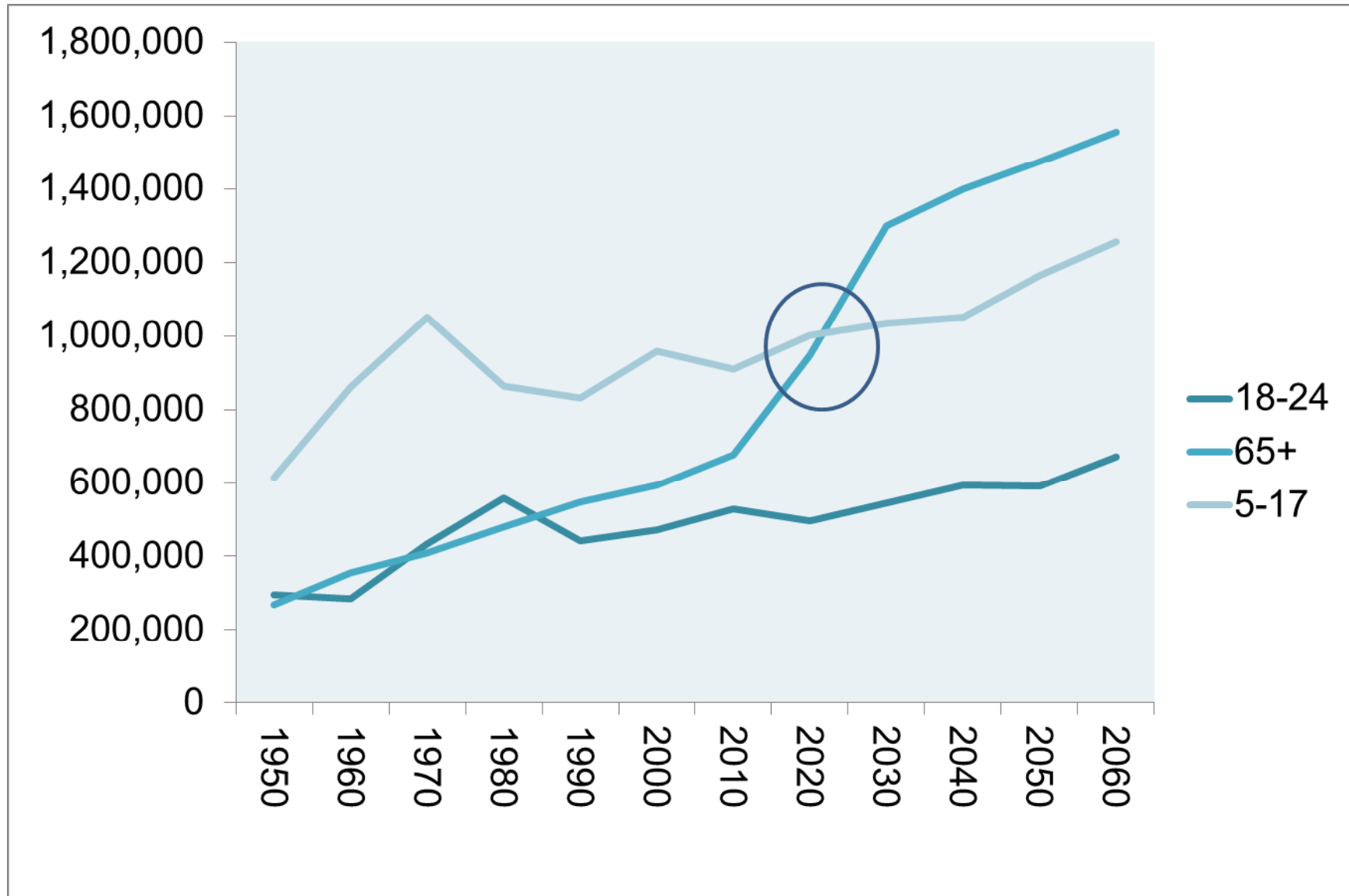
, DC

15th Annual Intercompany Long Term Care Insurance Conference

Outline of Presentation

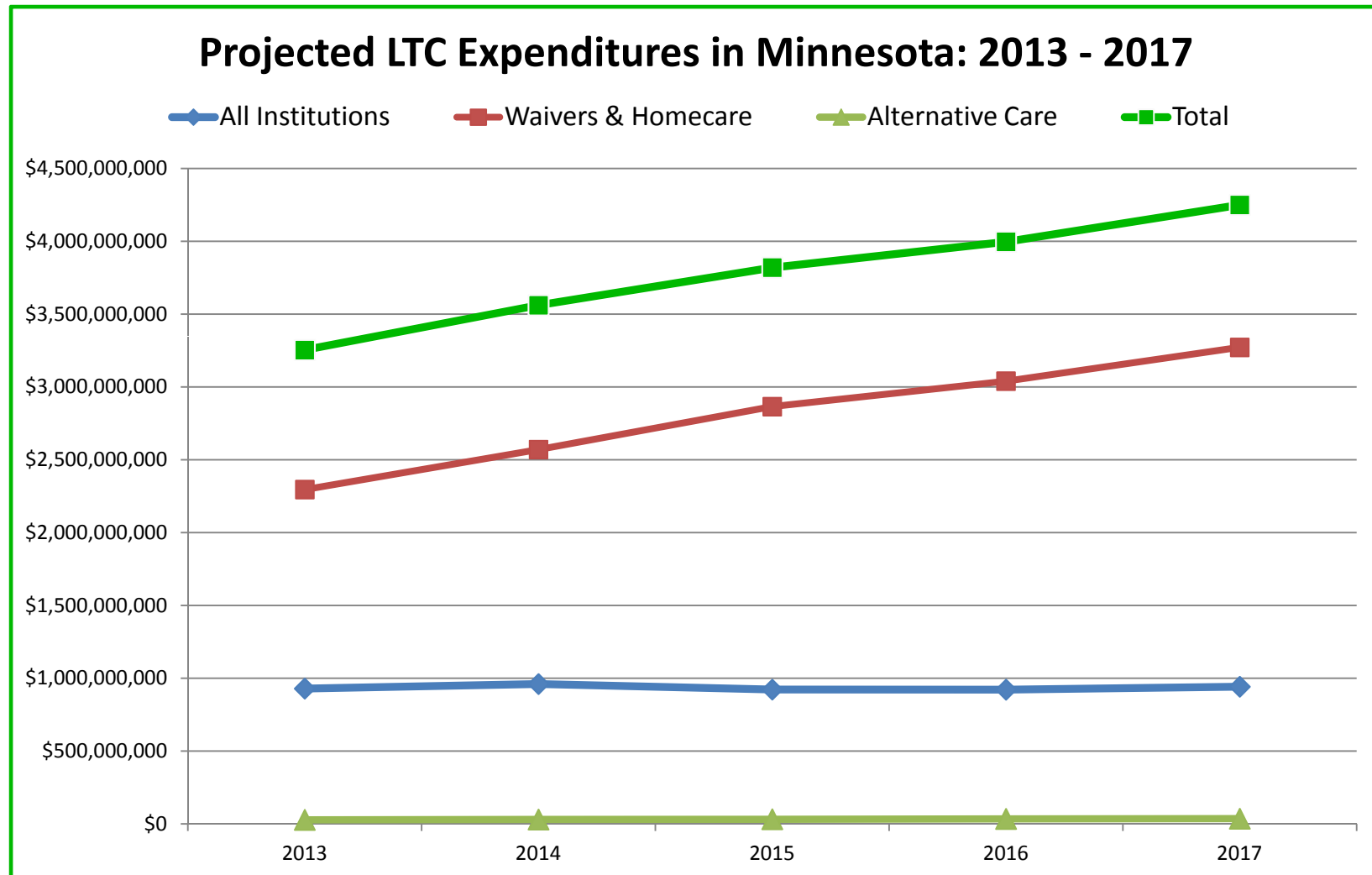
- Why Reform 2020 and Own Your Future are Important to Minnesota
- Improving Product Options for Middle-income Minnesotans
- Overview of Potential Options to Finance Long-Term Care Options
- Legislative Update

More 65+ than school-age children by 2020





Challenging Budget Forecasts

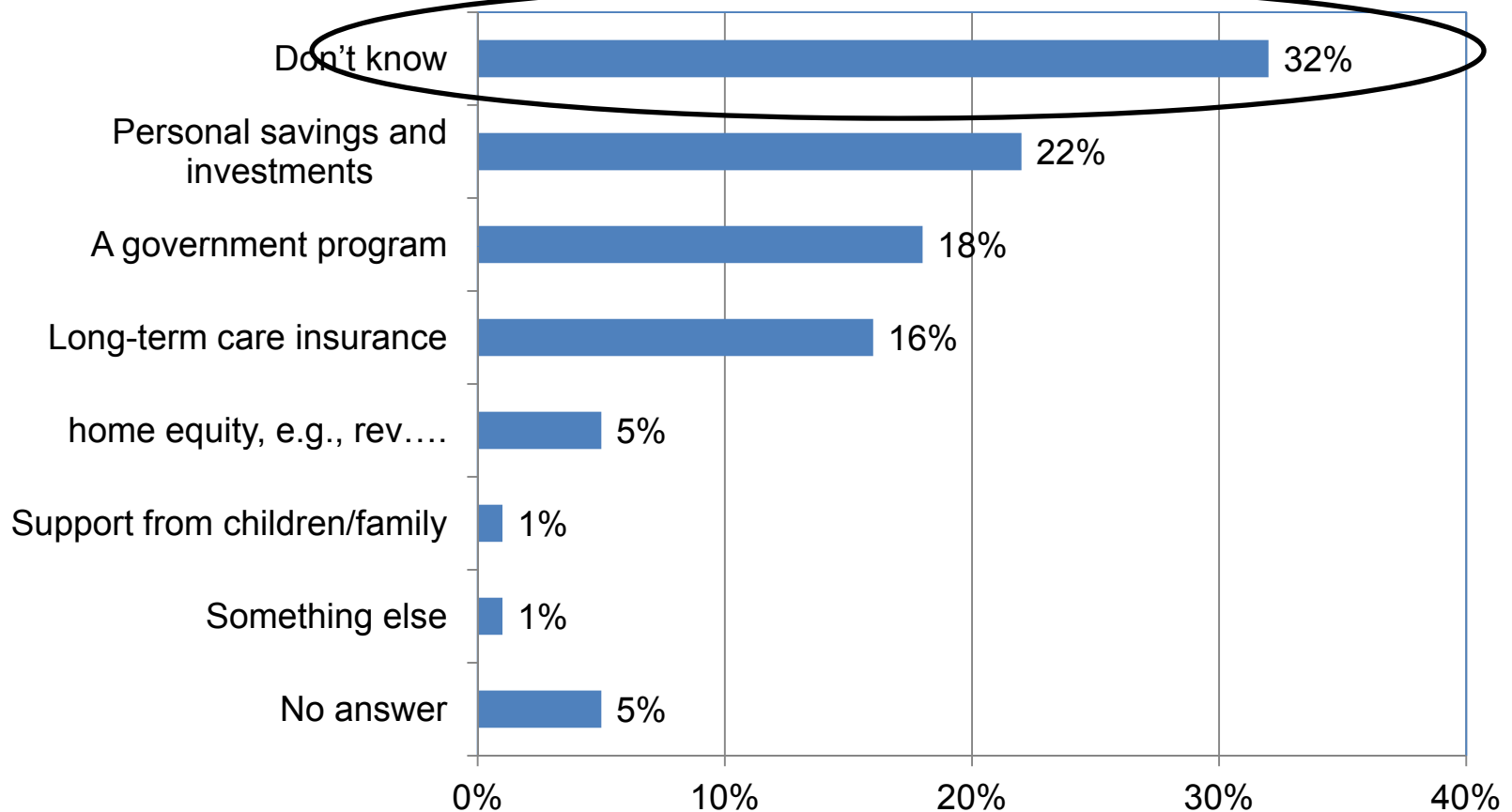


Source: DHS, Reports and Forecasts, February 2013

Current Plans to Pay for LTSS



Boomers' Plans

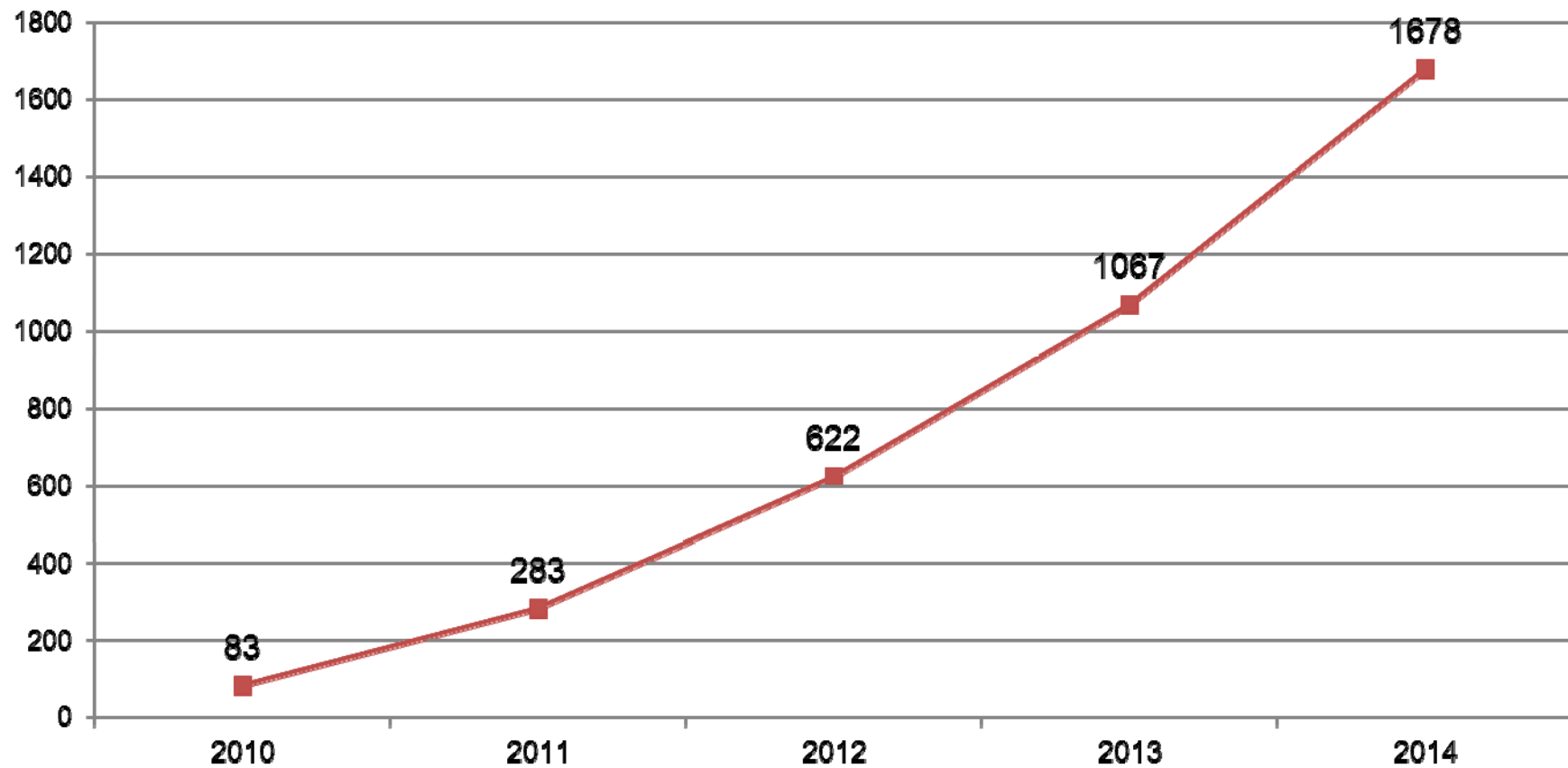


Source: Transform 2010, MN Department of Human Services, 2010

Example of Reform 2020 Results



Consumers Directly Assisted by Community Living Specialist April 2010-October 2014



Beyond Reform 2020



- Our Reform 2020 is focused on *service provision and delivery* and the way that Medical Assistance (MA) pays for services
- Own Your Future is our vehicle for working to reform LTC *financing* for the future to prevent individuals from needing to use the MA safety net

Own Your Future (OYF) in Minnesota



- Federal/state effort to encourage individuals to plan for their long-term care, including how to pay for it
- Minnesota launched a public awareness campaign in October 2012
- Minnesota added two additional components:
 - Make more affordable/suitable LTC products available to middle-income households
 - Evaluate possible changes in MA to better support private payment for LTC

Vision Statement for LTC Financing



- Middle-income Minnesotans will have insurance and financial product options 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 incentives for individuals to use products that meet specific criteria

Assumptions to Guide Work



1. Open and inclusive process
2. Private and public sector roles
3. No single “silver bullet” solution
4. Affordability and access for middle-income consumers – defined as annual income of \$50K - \$125K
5. Robust educational and consumer protection components required
6. “Life planning” approaches to designing solutions

1. Stimulate the LTCI market to identify or develop better products for the middle-income
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 simpler and safe options for using tax-favored savings for LTC

15 Initial Proposals

Stimulate the LTCI market to offer new products for middle income	Modify laws or regulations to allow changes in products	Modernize Medicare and related products	Improve access to and safety of home equity options	Increase use of tax-favored savings plans
Encourage marketing of starter or transition LTCI plan	Work on state reciprocity for group and hybrid partnership products	Study feasibility of including LTC in Medigap or Advantage plans	Make reforms in MN reverse mortgage laws to improve market and consumer protection	Create new or modify existing HSA provisions to allow use for LTC protection and expenses
Encourage marketing of streamlined basic LTCI plan	Further development of combination term insurance and LTCI for lifetime protection	Consolidate the Medicare nursing facility, 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 and expenses
Encourage marketing of high deductible, catastrophic LTCI	Study pros/cons of establishing life settlement trust funds	Support federal Commission recommendations on Medicare changes		
Study how a public LTCI option might work in MN	Study feasibility of new reinsurance options for LTCI market			

Overarching Recommendations

- Develop a Minnesota LTC Clearinghouse to provide a virtual, single point of contact for consumers on long-term care issues
- Champion changes at the state and national level to support more creative LTC financing options for the middle- income market
- Develop partnerships with employers, to educate and encourage provision of LTC-related benefits at younger ages
- Establish a mechanism to obtain consumer feedback on products and options being studied

What's Been Accomplished



- Due diligence - to further explore the cost and feasibility of proposals with:
 - Insurance carriers
 - State regulators
 - Actuarial consultants
 - Consumer testing of products with most potential
- Next Steps
 - Continue due diligence on specific products
 - Follow OYF legislative initiatives included in the Governor's budget during the 2015 session
 - Monitor that process for other legislation that are consistent with OYF goals

Legislative Initiatives (Proposed Nov 2014)



1. Create and fund LTSS education and information center
2. Further develop combination term and LTCl insurance product
3. Study the feasibility of adding a LTC benefit to Medicare supplemental plans and authorize a pilot
4. Create a state-specific simulation model for a new LTC financing system
5. State incentives for first time LTCl buyers
 1. Reduce inflation protection level for Partnership policies
 2. Focus LTCl tax credit on middle-income households

Products with Most Potential



Combination term and long-term care insurance product

- A term life insurance product that converts into a LTCI product at retirement
- Strong consumer interest
- Actuarial analysis looks affordable
- Has potential to be a “game changer”

LTC coverage in Medicare products

- Most recent proposal studied would add a LTC benefit to all Advantage plans sold in Minnesota
- Many concerned about adverse selection in this option
- Actuarial estimate priced a home health benefit @ \$50/month
- Also looking at creating a LTC benefit out of existing NF, home health, therapy and hospice benefits

- A vision that guides our efforts
- High level interagency commitment from state officials
- Listening carefully to stakeholders feedback on concepts and incorporating new ideas
- Support for a multi-year effort



Legislative Update

CONTACT INFORMATION

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loren.colman@state.mn.us

651-431-2560 or 651-431-2598

Loren Colman, Assistant Commissioner,
Continuing Care for Older Adults
Minnesota Department of Human Services
540 Cedar Street, St. Paul, MN 55155

<http://mn.gov/ownyourfuture>

Senior LinkAge Line – 1-800-333-2433

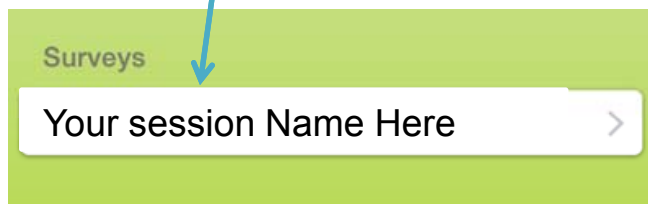
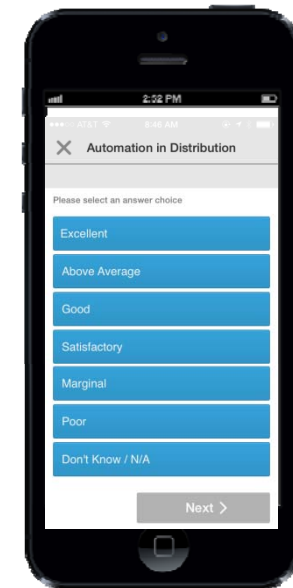
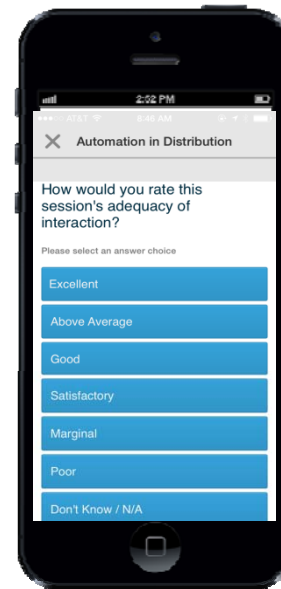
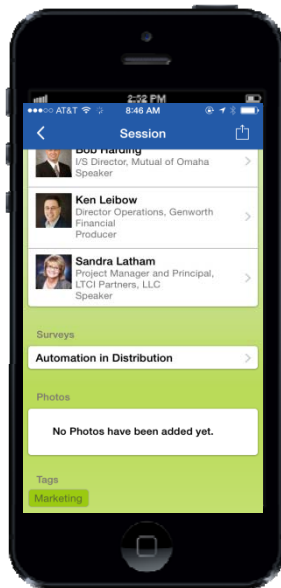
Don't forget to fill out the survey



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- Go to your app store; search ILTCI. It's free.



1. Find the session
2. Scroll to the bottom
3. Tap on the session name below the survey



Tap on the answer you wish to submit

Click Next