THE MINNESOTA MODEL

New Long-Term Care Financing Options

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Presentation to the LTC Discussion Group, Washington, DC
Own Your Future Minnesota

Outline of Presentation

- Why is Own Your Future Important to Minnesota
- Product Availability and Development Activities
- Overview of Products to Finance LTC
For the first time in history: by 2020, more persons 65+ than school-age children in MN
Challenging Budget Forecasts

Projected LTC Expenditures in Minnesota: 2013 - 2017

Source: DHS, Reports and Forecasts, February 2013
Current Plans to Pay for LTSS

Boomer’s Plans

- Don’t know: 32%
- Personal savings or investments: 22%
- A government program: 18%
- Long-term care insurance: 16%
- Home equity (e.g., reverse mortgage): 5%
- Support from children/family: 1%
- Something else: 1%
- No answer: 5%

Source: Transform 2010, MN Department of Human Services, 2010
Reform 2020 Results

Consumers Directly Assisted by Community Living Specialist to Move Home from Nursing Facility
April 2010-October 2014
Prevent Use of Safety Net

- Our LTSS reform is focused on *service delivery* and the way that Medical Assistance (MA) pays for services, but.....
- We need to prevent individuals from needing the MA safety net in the first place
- Own Your Future is our vehicle for working to reform LTC *financing* for the future
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, directing individuals to an OYF website.
- Minnesota added two 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 to use products that meet specific criteria
Assumptions made by Minnesota

1. Open and inclusive process
2. Private and public sector roles
3. No single “silver bullet” solutions
4. Affordability and access for middle-income consumers
5. A robust educational component required
6. “Life planning” approach to designing solutions
Subgroup Process

- Defined middle-income as households with incomes between $50,000 - $125,000.
- Provided members with a base of information on current products and new ideas, changes underway in insurance and financial services sectors.
- Spent significant time hearing presentations, identifying and researching approaches, analyzing existing products and new concepts.
Strategies to Help Middle-Income

1. Stimulate the LTCI market to identify 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 easier and safe options for using tax-favored savings for LTC.
<table>
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<tr>
<th>15 Initial Proposals</th>
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<tr>
<td><strong>Stimulate the LTCI market to offer new products for middle income</strong></td>
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<td><strong>Modify laws or regulations to allow changes in products</strong></td>
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<td><strong>Modernize Medicare and related products</strong></td>
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<td><strong>Improve access to and safety of home equity options</strong></td>
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<td><strong>Increase use of tax-favored savings plans</strong></td>
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<td>Encourage marketing of starter or transition LTCI plan</td>
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<td>Work on state reciprocity for group and hybrid partnership products</td>
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<td>Study feasibility of including LTC in Medigap or Advantage plans</td>
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<td>Make reforms in MN reverse mortgage laws to improve market and consumer protection</td>
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<td>Create new or modify existing HSA provisions to allow use for LTC protection and expenses</td>
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<td>Encourage marketing of streamlined basic LTCI plan</td>
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<td>Further development of combination term insurance and LTCI for lifetime protection</td>
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<td>Consolidate the Medicare nursing facility, home health and hospice benefit</td>
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<td>Support new options for accessing home equity for LTC</td>
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<td>Modify provisions of tax-deferred savings plans to allow use for LTC protection and expenses</td>
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<td>Encourage marketing of high deductible, catastrophic LTCI</td>
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<td>Study pros/cons of establishing life settlement trust funds</td>
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<td>Support federal Commission recommendations on Medicare changes</td>
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<td>Study how a public LTCI option might work in MN</td>
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<td>Study feasibility of new reinsurance options for LTCI market</td>
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Overarching Recommendations

- Develop a Minnesota LTC Clearinghouse to provide a virtual, single point of contact for consumers on long-term care risk, needs, products, 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 take advantage of more affordable prices at younger ages.
- Establish a mechanism to obtain consumer feedback on products and options being studied.
What's been accomplished

- Overall Advisory Panel and Subgroups
- OYF Strategic Team
- Due diligence - to further explore the cost and feasibility of proposals
  - Insurance carriers
  - State regulators
  - Actuarial consultants
  - Consumer testing of products with most potential
- Next Step
  - Develop list of potential OYF legislative initiatives for the 2015 session and monitor that process
Potential Legislative Initiatives

1. LTSS education and information center
2. Combination term and LTC insurance product
3. Catastrophic and starter insurance concepts
4. Study of adding a LTC benefit to Medicare supplemental plans
5. Create a state-specific simulation model for a new LTC financing system
6. State incentives for first time LTCI buyers
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
Key Elements of Minnesota Model

- A vision that articulates what we want to achieve
- High level interagency commitment
- Listening carefully and incorporating new ideas from stakeholder feedback
- Support for a multi-year effort
“Never, ever, think outside the box.”
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