FINANCING OPTIONS TO HELP MINNESOTANS PAY FOR LONG-TERM CARE

REPORT AND RECOMMENDATIONS
Own Your Future Advisory Panel

State of Minnesota

FEBRUARY 2014
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Background

Own Your Future
Own Your Future is a joint federal/state initiative of the Dayton-Prettner Solon administration. Its purpose is to encourage and enable Minnesotans to create a plan for their long-term care, including how to pay for this care. In this context, long-term care is defined as the assistance with personal care and household tasks that people need as they grow older or if they experience an injury or illness earlier in their lives.

Between 2005 and 2009, 26 states sponsored an Own Your Future (OYF) campaign in their state to educate individuals about their risk for long-term care and encourage them to plan for this part of their lives. Minnesota was the last state to initiate this effort, and one of a handful of states to continue and expand the campaign.

Minnesota launched the public awareness component of OYF in October 2012, with financial assistance from the federal government. The key feature of this campaign was mailing a letter from the Governor and Lieutenant Governor to one million Minnesota households ages 40 to 65, urging them to create a plan for their long-term care.

Minnesota added two additional components to the public awareness campaign, in order to enhance the desired outcome of increasing the number of Minnesotans using private resources to pay for their long-term care. It was felt that if more affordable and suitable options were available, more households would be able to use these products to pay for their long-term care. And if Medical Assistance provided more incentives for individuals to use private financing, this could also increase the interest in using these options. Thus, the three components of Minnesota’s Own Your Future initiative include:

1. Implementation of an ongoing public awareness campaign throughout the state.
2. Efforts to make more affordable and suitable long-term care products available to Minnesota’s middle-income households.
3. Evaluation of possible changes to Medical Assistance (MA) to better align with and encourage private payment for long-term care.

Subgroup Charge
In early 2013, a subgroup with members from the OYF initiative’s overall advisory panel together with several additional external experts was appointed and began work on phase two of Own Your Future, called the product availability component. This subgroup met monthly between March and December 2013. The Own Your Future Advisory Panel gave the subgroup the following charge:

“Make recommendations on insurance, financial, or related products that should be available to middle-income households to help pay for long-term care costs. These recommendations should include ways to remove barriers to the greater use of existing products as well as strategies to encourage new approaches to the financing of long-term care.”
The Importance of Long-Term Care Financing to the State

Minnesota, like the rest of the country and the world, is experiencing a rapid aging of its population. Because of advances in public health and medical care, greater numbers of individuals are surviving into old age. This permanent shift in the age of our population has demographic and economic implications for every sector of society, especially the health and long-term care sectors. Individuals now need to plan for the possibility of a much longer life including more years of old age when chances are they will need some level of long-term care.

Demographic Realities

As people age, their risk of needing long-term care increases. For example, an estimated 12 percent of persons between age 65 and 84 have disabilities that require long-term care. This jumps to 55 percent for those over 85. Minnesotans 85+ will triple between 2010 and 2050, increasing from 85,000 in 2010 to a projected 365,000 in 2050. In addition, because of poor lifestyle choices in the past decades, many more individuals are entering their middle and later years with chronic conditions, which means they will need long-term care earlier and longer.

The large baby boom generation, born between 1946 and 1964, will usher in this permanent shift in our population aging, but younger generations will live longer as well. The Millennial generation, born between 1980 and 1995, is even larger than the baby boom generation and will be middle-aged when their parents (the boomers) need long-term care. The economic pressures on these families will include the long-term care needs of their older relatives as well as planning for their own retirement and old age.

Not only will we have more persons in need of long-term care, we will also have significant numbers of Minnesotans who have not prepared for the longer lives they will have. A 2013 survey of 2,500 individuals at the Minnesota State Fair found that fully one-third of respondents did not know how they were going to pay for long-term care costs. Many individuals are not aware of the high risk they face for long-term care and the need to include this factor in their overall retirement planning.

Traditionally, family members have provided the vast majority of long-term care needed by older relatives. About 90 percent of all care for Minnesota’s elderly is provided by family members. However, with the size of the average family declining and families becoming more geographically dispersed, fewer family members are available to provide care to their older relatives. As a result, families are increasingly turning to “formal” or paid services to supplement or replace the care they used to provide. Those formal services tend to be very expensive for the older person and/or the family.
Economic Realities
The aging of Minnesota’s population will bring about a transformation of the state’s economy. A new set of economic rules will apply.

Labor force growth will slow as retirements increase and the number of young people will decline, meaning that the number of young people entering the workforce will also decline. Slower labor force growth means slower economic growth. This will reduce growth in government revenue at a time when demand for publicly funded health and long-term care services for the aging will be escalating. For example, Medical Assistance (MA) expenditures for the elderly, which include basic health and long-term care, are projected to increase by 8.5 percent per year during the 2010s and 9 percent per year during the 2020s.

Thus, education and health/long-term care will compete for a smaller pool of state revenues in the future. If health care costs continue to increase, state spending on other services will stagnate, making the state’s financial situation unsustainable. (These projections assume the current level of taxation.)

Own Your Future is important to Minnesota’s future economic growth
- By increasing the use of private long-term care financing options, Minnesota can potentially reduce its public expenditures for long-term care.
- To increase the use of private resources for long-term care, the available insurance and financial products need to be more understandable, attractive and affordable to consumers.
- If successful, Own Your Future can reduce the fiscal pressure of long-term care expenditures on the state budget and help free up funds for other state priorities including education, job training and expenditures on infrastructure that are needed for the state’s economic growth.

The Current Long-Term Care Financing Marketplace
The current long-term care financing marketplace consists of insurance products, home equity options such as reverse mortgages, and health and retirement savings plans. None of these products has seen widespread use recently due to a number of factors, including the perception of their stability, their safety and their benefit levels.

Long-term care insurance (LTCi) has seen dramatic across-the-board rate hikes on both prospective and retrospective business, tightened underwriting practices, and a reduction in consumer demand. On the supply side, approximately 90% of insurance companies nationally that once offered LTCi, no longer do so. If current practices continue without fundamental change, LTCi will become increasingly limited to a high-end niche product with few or no options for the middle-income market.
Life insurance policies that can be used to pay for long-term care costs (called hybrid products) are currently more attractive than LTCi to some individuals because they offer a multi-purpose benefit. If you need LTC, it can pay for that, but if you don’t, your heirs still receive your death benefit.

Health insurance products including Medicare and other health insurance products for younger individuals have maintained a strict separation between health care coverage and custodial long-term care and do not fund long-term care. While Medicare provides “long-term care” after a hospital stay, most Medicare beneficiaries do not receive the majority of that benefit because of changes in care practices that have occurred since Medicare was created in 1965. Similarly, the Medicare supplemental market has restricted its benefits to “wrap-arounds” for Medicare benefits only, and neither the Medigap nor Advantage markets have incorporated any long-term care services. Federal regulations have restricted the addition of certain services, but changes in long-term care since 1965 and the growing need for long-term care require a review of these restrictions and creative rethinking of the current design.

The market for reverse mortgages (RMs) is likewise in a difficult position. Recently, state and federal agencies have changed regulations governing the program to address consumer issues with the program, but the perception persists that RMs, as currently constituted, do not have adequate consumer protections.

Retirement savings in general, and savings to cover long-term care costs specifically, are not high priorities for households. About 25 percent of households nationally have no retirement savings at all, and the median savings for those who do is less than $75,000 (EBRI, Retirement Confidence Survey, 2013).

From an economic perspective, middle-income households are still financially stressed from the effects of the Great Recession in 2007. They have less disposable income available for purchasing discretionary products and are weighing these decisions carefully.

These problems signal the need for new approaches to long-term care product development and marketing. Individuals need simpler, more understandable, more affordable products that are easy to access. Carriers need products that have acceptable risk profiles and predictable economics. The rise of the internet and its commercial marketplace, along with the growing use of social marketing, means that consumers expect new kinds of information, better decision-making tools, and peer and consumer product reviews to help them make purchasing decisions about long-term care products.

The current long-term care marketplace requires innovation and creativity to enable new, more acceptable LTC products and options to be developed, marketed and embraced by a broad cross section of Minnesotans.
The Work of the Subgroup on Product Availability

With these issues in mind, the subgroup developed a work plan that provided the members with a base of information to meet their charge. The subgroup first heard a presentation on demographics to determine how to define the “middle income” levels in Minnesota, received a briefing on current Medical Assistance long-term care expenditures and the interaction between various long-term care products and MA eligibility criteria, and developed a list of data they felt would be helpful during their discussions.

With that base of information, the subgroup then spent a majority of its remaining time identifying and analyzing existing products and new concepts to form the basis of fundamental reforms to the long-term care financing market in Minnesota. It heard presentations on a wide variety of insurance and financial products to assess the potential of the products to play a larger role in helping the middle income pay for long-term care. The subgroup also considered new concepts that might have potential to meet this need once they were piloted and they proved successful.

The products and new concepts fall into five broad categories:

Stimulating the LTCi market by identifying new and enhanced product concepts that will better meet the needs of Minnesota middle income consumers.

Modifying legislation and regulations, particularly related to the Minnesota long-term care partnership programs, to make existing products more effective and attractive.

Developing closer linkages with the Minnesota Medicare supplementary options to explore the viability of incorporating long-term care funding options into these Medicare plan options, and making needed reforms in the national Medicare long-term care benefits.

Making it easier and safer for consumers to access the existing equity in their homes to help fund long-term care services.

Making it easier and safer for consumers to use tax-favored savings plans to help fund their long-term care services.
As the subgroup learned more about the existing products and new concepts, it also developed assumptions and criteria to guide its discussions, and articulated a vision statement for the outcome of its work.

Assumptions
The following assumptions were developed by the subgroup to guide its work.

**Middle Income.** The subgroup defined the “middle-income market” as Minnesota households with annual incomes between $50,000 and $100,000. However, the subgroup sees the results of its work benefiting households of all income levels in Minnesota.

**Past Successes.** The state has experienced successes in its state employee long-term care insurance plan and its high take-up rate for Partnership long-term care insurance policies. These successes can be traced to:

- Simplified and streamlined plan designs
- Affordable premiums
- Strong education and support by the state
- Effective public/private program coordination
- Importance of a financial reward for a LTC purchase, e.g., tax credit
- Importance of flexibility in product design

The subgroup is applying these lessons to changes needed in long-term care financing to better serve the middle-income market as well as all Minnesotans.

**Future Budget Constraints.** Medicaid and other public programs will be under increasing fiscal pressure in the future. As such, any viable and suitable private products that have reasonable take-up rates have the potential to reduce public expenditures and book savings for the state.

**LTC Product Barriers.** Product complexity, accessibility, and perception of high costs are key barriers to both insurance and other financial product utilization. To address these barriers, proposed solutions need to simplify products, standardize benefits and make their features easy to understand and access.

**Criteria for reviewing products and concepts**

1. The subgroup also developed criteria for use when identifying and reviewing various concepts to determine if they would meet the needs of the middle-income market (not listed in order of priority).
2. Products that stimulate competition in the marketplace for the purchase or use of the products.
3. Products that provide high levels of consumer protection.
4. Products that offer flexibility and multi-purpose use of benefits.
5. Products that are easier to understand and require fewer complex decisions than current products.
6. Products that address income sensitivities, i.e., consumer can purchase lower or higher cost products.
7. Products that have positive interactions with MA, and encourage use of the product under current MA rules.
8. Insurance and other products that provide “short and fat” coverage. This type of coverage gives higher levels of benefits for a shorter period of time. These products tend to be less expensive and offer coverage during transitions to a more permanent situation or for end-of-life needs.
9. Insurance products that are attractive to younger ages either because the cost of purchase is lower or because eligibility is easier to meet.
10. Products that are actuarially sound, would generally be considered a value for the price by the middle-income market, and involve reasonably predictable and manageable cost increases after purchase, if increases are necessary.
11. Products that can be marketed and sold through the workplace, as part of a package of benefits to employees.
Vision Statement for Financing Long-Term Care for
Minnesota’s Middle Income Market

Middle-income Minnesotans will have insurance and financial product options available that help them plan for, pay for, and take personal responsibility for their long-term care costs.

This will entail:

Products to meet the standards and demands of the current market, including:

Simplified and streamlined products that incorporate essential features but leave out expensive “nice to haves”.

Benefit structures that are shorter in duration, but provide robust and flexible payments on a daily and/or monthly basis.

Premiums and other regular payments that are considered affordable by the majority of middle-income Minnesotans.

Strong and understandable consumer protections.

State-sanctioned support for products that meet defined criteria.

A virtual Minnesota Long-Term Care Clearinghouse where individuals can find the detailed information they need (online and from trained staff) to make informed decisions about the full range of long-term care financing, services, caregiver and provider options.

An ongoing Own Your Future public/private partnership to inform and educate individuals of all income levels about their risk of needing long-term care and the Minnesota options available to provide and pay for this care.

Greater use of the workplace to educate younger workers about their long-term care risks and costs, and to provide group offerings of long-term care-related benefits. An individual’s long-term care plan should become as familiar to them as their 401K retirement plan.
Recommendations of the Subgroup
The subgroup reviewed and discussed a total of 16 proposals/concepts during its meetings. After much discussion, the subgroup voted on 16 proposals, voting to include them in one of three categories:

Green Vote
“Based on our work to date, this proposal and its possible implementation steps should be recommended to the Own Your Future Advisory Panel.”

Yellow Vote
“Based on our work to date, I support the strategic direction of this proposal but recommend to the Own Your Future Advisory Panel that future work be done to clarify or improve the concept.”

Red Vote
“Based on our work to date, I recommend to the Own Your Future Advisory Panel that no further work be done on this proposal at this time.”

Using the results of this voting, the subgroup is recommending 11 proposals as priorities for action. These 11 recommendations received a green vote from a majority of the subgroup. Three proposals (the life settlements, the public option and creation of a reinsurance fund) are recommended to be laid on the table for the time being, and one proposal - a new approach to home equity -- is not recommended for action beyond monitoring the work that is being done to establish a possible pilot project in Minnesota. (The 16th proposal was about creating a clearinghouse for information, and since this is not a product, it was moved to the section that includes overarching recommendations.)

Table 1 contains the subgroup recommendations on the 15 existing and new proposals/concepts that were identified and analyzed by the group.

The subgroup also developed several overarching recommendations that describe broader action steps that support the changes needed to increase the utilization of new or redesigned products as they are brought to market, and next steps for the implementation of the subgroup recommendations.

Overarching Recommendations

1. Minnesota needs to continue and intensify its efforts to educate Minnesota consumers about all aspects of long-term care. Part of this effort should be the development of a Minnesota Long-Term Care Clearinghouse to provide a virtual, single point of contact where consumers can access objective information about long-term care risks, needs, funding and other potential solutions.

One of the biggest challenges in changing behavior in long-term care is the lack of understanding and confusion about what long-term care is, why consumers need to plan for it, what the risks associated with it are, what potential solutions exist and how they can be paid for. Central to the success of any long-term care financing program is a program like Minnesota’s Own Your Future campaign that helps educate consumers about long-term care costs, risks and options.
Beyond awareness, individuals and families need methods and tools to help them understand, in an objective and personalized way, what their options are, which ones are right for their unique situations, and how they can best access them.

The subgroup recognizes that varying consumer needs requires a range of financing options. No one option will fit all individual situations or necessarily provide a total solution for any particular situation. To that end, we are recommending the development of a Long-Term Care Clearinghouse that would contain information and decision-making tools related to:

- Long-term care insurance products and options
- Savings and investment options
- Reverse mortgage and other home equity products
- State and federal government programs including Medicare, Medicaid and Minnesota programs for older adults and those with disabilities
- Caregiving services and supports
- Health and wellness programs

Some implementation steps would include:

- Seek out potential partners at the national and local level, e.g., new NCOA activities in the Medicare market, AARP themes for its long-term care planning activities, University of Minnesota Extension resources and the Minnesota Board on Aging Senior LinkAge Line.
- Determine organizational structure and potential funding options.
- Define needed capabilities, including potential interactive tools for consumers.
- Develop design concepts for web and other support specifications.
- Develop schedule and budget and identify potential development resources.
- Increase the expertise and resources dedicated to long-term care-related insurance and financial product issues within state agencies, such as the Department of Commerce, that oversee these products.

2. The state should take a lead role in championing needed changes to state and national legislation and regulations to encourage more innovative and creative long-term care financing options for the middle income market. Minnesota should consider critical changes needed at all levels of government.

Minnesota is already recognized as a national leader in the design of long-term care services and therefore is in an ideal position to significantly influence the national discussion and advocate for meaningful changes at both the state and national levels. This includes advocacy at the federal level in cases where the options recommended by the subgroup call for a change in federal programs or regulations. This can also include changes that are necessary in Minnesota’s laws and regulations in order to move ahead with implementation of the high priority products or concepts.

3. Recognizing that available public financial resources are, and will likely continue to be limited, the Minnesota long-term care financing system should include both private and public sector
elements as well as incentives that encourage individuals and families to take personal responsibility for a portion of their care, wherever feasible. The state should continue to provide the incentives now available, including the Partnership program and the state long-term care insurance tax credit, and identify similar incentives that could be offered.

There is an emerging consensus among long-term care policy experts that long-term care financial solutions need to include both private and public elements, as well as individual and family responsibility. Increasing the amount of long-term care costs that is financed privately has the potential to reduce public expenditures for long-term care and lessen future pressure on the state Medicaid budget resulting from the aging baby boomer generation.

The primary product focus for the subgroup was on changes in private financing options; however, the group also considered ways to use the public role to encourage more creative and effective public/private collaboration. The state needs to work closely with the private and public stakeholders to encourage needed changes in the long-term care market. Working together, the state and the private sector will have more ability to get things done than they would separately.

The third component of Own Your Future will focus on how the current major funder of long-term care (Medical Assistance) could be changed to provide more incentives and support for the use of private financing for long-term care. We need to keep the current incentives in place (the Partnership program and the state tax credit for long-term care insurance). But we need to explore ways in which public and private financing could be even more effectively linked together in order to create a comprehensive financing program. For example, there might be a way to maximize private financing at the front end and use public financing to pick up where private dollars end or wrap around private financing in other creative ways.

4. The state should proactively develop partnerships with Minnesota employers, including worksite outreach programs to educate employees about the need to plan for long-term care and what viable solutions exist to fund it. The programs should emphasize the cost advantages of taking action at younger ages, and should build on and expand Own Your Future support for these activities.

Minnesota employers can and should play a major role in educating their employees about planning for long-term care as a part of their retirement plans. This role should include offering access to an array of viable financing solutions. Employers are seen by their employees as a credible source of information about long-term care and other retirement planning. Moreover, outreach through employers is an effective and efficient way to provide long-term care planning tools and a sense of the importance of planning early to younger adults.

5. In an effort to further refine and gain statewide acceptance of these recommendations, the state should develop a governance steering process that will provide the needed input and advice from the various stakeholders to the OYF staff and consultants on the implementation of the recommendations in this report.
As part of this process, the state should establish a long-term care consumer research panel consisting of demographically representative members of the various MN target consumer segments. The panel would be available to provide periodic and ongoing consumer feedback on key long-term care-related issues, including concept and product understanding, acceptance, affordability, and interest levels.

As one of the most critical issues that the state must address, it is important to continue to move forward on actions that make a difference in long-term care financing. Since action is needed from both the private and public sectors, a process that involves interdisciplinary and diverse stakeholders is best suited to address this complex and dynamic challenge.

The same is true regarding the need for a vehicle to test consumer preferences and possible behavior/decisions on the various proposals we will be working on over the next year. It is critical to obtain genuine feedback from consumers on the specific features and other factors within the proposals under development.
Table 1. Proposals Listed by Category

The subgroup recommends that the Own Your Future Advisory Panel –through a newly appointed stakeholder group--work on the implementation steps of those proposals marked with a green priority during the next year.

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<th>Possible Implementation Steps</th>
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| **See below**    | **Green** | **LTCi Plans:** Re-energize the LTCi market by encouraging the sale of select LTCi products that are:  
• affordable and suitable for middle income consumers at various life stages;  
• provide meaningful benefit levels;  
• streamlined and simple to understand;  
• acceptable to carriers from a risk point of view.  
Three examples of such products are Plan A, B and C below. Each plan was ranked separately. |  
• Clarification: The three plan designs can be taken together or separately. They are intended to be affordable to middle income consumers.  
• These plan types are already available, but may not be actively marketed to consumers.  
• These plans may not be Partnership-qualified without legislative change. |  
| 3 **Green**      | **Plan A:** A starter or transition LTCi plan for younger individuals that starts out with basic benefits and lower cost. | See above. | See above. |
| 4 **Green**      | **Plan B:** A streamlined base LTCi plan that would offer a “short and fat” benefit, i.e., limited duration but robust daily/monthly benefit, and coverage for expenses in any setting. | See above. | See above. |
| 12 **Green**     | **Plan C:** A catastrophic LTCi plan with high deductibles for persons concerned about needing long-term care for many years. | See above. | Concern: Most middle income consumers do not have sufficient assets to pay for 2-3 years of LTC costs, so this requires a mix of methods to pay for LTC costs. |
# Long-Term Care Financing Options to Serve Minnesota’s Middle Income Market

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| **15** Red       | **MN Public Option:** Conduct a study to determine if a public long-term care option could work in Minnesota, focusing on the following key areas:  
• The role of the workplace  
• Front end vs. catastrophic coverage  
• Voluntary vs. mandatory coverage | a. Review actuarial assessments of potential viability and tradeoffs between mandated/voluntary program, underwriting and pricing.  
b. If a mandated program is determined to be the only viable option, assess benefits vs. risks and support vs. opposition. | • Growing consensus is that solution to LTC financing needs to include public and private components.  
• Concerns about this option include political feasibility & affordability for both individuals and the state. |

## Legislative, Regulatory and Infrastructure Concepts to Stimulate LTC Insurance Market

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| **1** Green      | **Group Partnership:** Encourage state reciprocity for group long-term care insurance policies that can qualify as LTC Partnership policies. | a. Reach out to other states’ Partnership programs to determine interest in reciprocity.  
b. Determine Minnesota employers’ interest in offering these group policies if reciprocity exists.  
c. Determine provider interest in developing and marketing Partnership-qualified group LTCi products to employers in Minnesota, assuming reciprocity in other Partnership states. | • Group market could be reinvigorated by this effort.  
• Carriers seem interested, as are other states – overall, there’s good opportunity here.  
• Group policies are a good way to reach younger consumers. |
| **2** Green      | **Hybrid Partnership:** Encourage the sales of affordable life insurance and annuity policies that contain either a long-term care rider or a long-term care benefit in lieu of or in addition to their death benefit (i.e. “hybrid products”) and that can qualify as LTC Partnership policies. | a. Reach out to other states’ Partnership programs to determine interest in reciprocity.  
b. Determine whether hybrid products can be affordable for middle class.  
c. Determine provider interest in developing & marketing Partnership-qualified products in Minnesota, assuming reciprocity in other states. | • Concern: Hybrid policies are a good option for some but may be too expensive for many middle-income consumers. |
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| **Green** 11    | **Tax-deferred account**: Explore modifying state and federal laws to enable Minnesotans to use tax-deferred personal savings accounts and other tax-favored approaches to fund their long-term care. | a. Consult with 401K and IRA providers to determine interest and feasibility.  
   b. Complete feasibility study of this change.  
   c. Bring results/proposal to MN congressional delegation; find supporters there for potential changes. | • The Department of Revenue has been asked to provide input on this proposal.  
   • Caution: Ensure that money saved for retirement is not depleted by LTC.  
   • Proposal is most effective if changes are made at both state & federal level. |
| **Red** 14      | **Life Settlement**: Study whether to advance the practice of selling existing life insurance policies to help pay for long-term care. | a. Research Minnesota legal concerns and other states’ practices.  
   b. Study and estimate:  
      - Potential LTC funds available for policy holders  
      - Potential benefit to Minnesota’s middle class  
   c. Potential Medicaid savings, considering interaction with MA spend-down provisions | • Life settlements are already available in MN, but only for policies that are ≥$250,000.  
   • Using life insurance policies to pay for LTC abandons the original intent of the policy and could leave family members without a safety net when the policy holder dies.  
   • The only state to pass new life settlement policy (TX) has a very different LTC landscape than MN. |
| **Red** 16      | **Reinsurance**: Study the feasibility of a state sponsored LTCi reinsurance program.  
   • Alternate proposal: “Study the feasibility of the state working to develop LTCi reinsurance options for use in new or existing policies to stabilize rates and provide for market steadiness.” | a. Determine provider interest in participating.  
   b. Study other states’ best practices.  
   c. Develop state legislation that defines approach. | • Alternative proposal would help carriers “off-load” expenses from younger plan holders who suffer an accident and go on claim at a relatively young age.  
   • Reinsurance may be more viable if considered on a national scale.  
   • Carriers are not currently expressing interest.  
   • Area demands creativity and innovation. |
## Long-Term Care Financing Options to Serve Minnesota’s Middle Income Market

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| 10 Green         | **LTC in Medicare:** Conduct a study to determine the advisability and feasibility of including a LTC coverage option in Medigap or Medicare Advantage products. | a. Evaluate whether existing waiver language will enable state to go forward without additional federal approval, or if more sign-off is required.  
   b. Do consumer research to hone plan design, gauge consumer interest.  
   c. Do pricing research with actuarial community; underwriting and interest research with carriers and health plans.  
   d. Identify other collaborators at the national or local level, i.e., NCOA, AARP. | • This product may increase confusion about Medicare, which is not a program designed to cover LTC costs.  
• We do not want to risk discouraging people from planning early. However, we also want to take advantage of a key decision point – the majority of people going on Medicare feel that this is a good time to purchase supplemental coverage, including LTC coverage. |
| 7 Green          | **Consolidate Medicare LTC Benefit:** Explore and evaluate the consolidation of the Medicare SNF and home health care benefits into a single LTC benefit. | a. Flesh out this option in more detail in a white paper to describe the way it would work for beneficiaries as well as the cost/savings for the Medicare program.  
   b. Determine how this change would align with the changes recommended by the Federal Commission.  
   c. Determine how this provision would impact service providers, and the potential support or opposition for this change from service providers. | • Clarification: It could be easier to rearrange existing Medicare structure than create a new Medicare benefit. This option is part of the needed work to “modernize” Medicare.  
• Proposal would likely have a fiscal impact.  
• Might be best if tested through a state-level waiver, perhaps in MN.  
• Concern: Is it a good use of the Advisory Panel’s and staff’s time to pursue federal Medicare changes? |
| 6 Green          | **Commission Recommendations:** Support the federal LTC Commission’s recommended changes to Medicare LTC benefits: | a. Send letter from the state to the federal Commission supporting the commission’s recommendations.  
   b. Contact MN congressional delegation | • Concern: Is it a good use of the Advisory Panel’s and staff’s time to pursue federal Medicare changes? |
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<td>• Support eliminating three-day hospital stay requirement prior to NF stay. &lt;br&gt; • Count observation days toward SNF coverage requirement. &lt;br&gt; • Revise homebound requirement to remove inappropriate barriers to home care use.</td>
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**Possible Implementation Steps**
- to advocate for these changes to be considered when the future of Medicare is discussed.

**Key Comments**
- to advocate for these changes to be considered when the future of Medicare is discussed.

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### Improve Access to and Consumer Protections for Home Equity Options

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<th>5</th>
<th>Green</th>
<th>Reverse Mortgage Regulations: Ensure that regulations governing reverse mortgages in Minnesota make this product easier and safer to use.</th>
</tr>
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<td></td>
<td></td>
<td>a. Evaluate 2010 legislative changes for intended versus actual impact on middle income consumers. &lt;br&gt; b. Evaluate new reform proposals for potential impact on the safety and utilization by the middle income. &lt;br&gt; c. Advocate for changes based on the results of this assessment of potential impact.</td>
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<td></td>
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<td>• Clarify: Original HECM product is federal, but changes were made in 2010 in Minnesota that further limited federal regulations. &lt;br&gt; • Proprietary products are coming out but Minnesota laws prevent those products from entering the market here. &lt;br&gt; • Need to clearly communicate consumer protections to gain support.</td>
</tr>
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</table>

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<thead>
<tr>
<th>13</th>
<th>Yellow</th>
<th>Support new concepts for access to home equity, e.g., NestCare: Identify and pilot new options for accessing home equity to pay for LTC expenses.</th>
</tr>
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<td></td>
<td>a. Continue to provide technical assistance to NestCare to assist them in their efforts to establish a pilot program in MN. &lt;br&gt; b. Provide similar assistance to any other home equity programs interested in working in MN.</td>
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<td></td>
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<td>• Clarify: This proposal is not only about the NestCare workgroup. Home equity is a critical part of people’s wealth and we want new options to use it for LTC. &lt;br&gt; • The NestCare model raises some key concerns that could be studied if a pilot were implemented in a few local communities.</td>
</tr>
</tbody>
</table>

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### Utilize Tax-Favored Savings Plans for Long-Term Care
<table>
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<tr>
<th>Priority Ranking</th>
<th>Proposal</th>
<th>Possible Implementation Steps</th>
<th>Key Comments</th>
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| Green 9         | **Tax-favored saving:** Explore the feasibility of developing a tax-favored Minnesota long-term care family savings account. | a. Determine tax revenue cost at state level.  
b. Evaluate consumer interest.  
c. Study Nebraska’s Long-Term Savings Plan (LTSP) program to determine feasibility in Minnesota.  
d. Determine required state vs. federal action and potential supporters.  
e. Consider MN pilot program. | • The Department of Revenue has been asked to review and provide input on this proposal.  
• This proposal would be most effective if accounts could be tax-favored at both the state and federal level.  
• HSAs and college savings plans are gaining traction – could build on growing use to make changes favorable to use for LTC costs.  
• Caution: Most people are not saving enough for retirement, let alone future LTC needs. However, this could be one of several sources that households tap to pay for LTC costs. |
More Information on Subgroup Ranking of Proposals

One of the challenges the subgroup faced was how to prioritize the 16 concepts to maximize use of limited resources in their implementation. Recognizing that need, the subgroup went through a process of anonymous voting to arrive at a group consensus on priorities. The concepts were ranked using the number of green, yellow or red votes that each proposal received.

Table 2 below indicates the green, yellow and red votes each proposal received from the members who voted. These votes were used to identify: 1) the top 11 proposals to recommend for implementation work this year; 2) the concepts that need more clarification; and 3) those that should be tabled for now.
Conclusion

The subgroup on product availability is committed to seeing the process to implement its recommendations continue, so that more affordable and suitable products to pay for long-term care will become available to Minnesota’s middle income households. The public awareness efforts within Own Your Future are important, but they can only do so much without the availability of financing options that are affordable and practical for these households to purchase and utilize to pay for care.

Neither the federal government nor the recent federal Long Term Care Commission has been able to agree on real solutions that can address the long-term care financing crisis. However, states can take the lead in being innovators in this type of environment and find solutions that directly address the long-term care financing problems. We believe that these recommendations can unleash new thinking about how to help Minnesotans pay for their long-term care and lessen the pressure on the state’s Medical Assistance long-term care dilemma.
Members of Subgroup on Product Availability

Chair: Gayle Kvenvold, President/CEO, Aging Services of Minnesota
- Bruce Anderson, Manager, Employee Insurance Division, Minnesota Management and Budget
- Tom Devine, Executive Vice President of the David Agency; Regent of the University of Minnesota
- Patricia Francisco, LTCP, Long-Term Care Specialist, Patrick D. Francisco & Associates*
- Mary Jo George, Associate Director of Advocacy for Health and Long-Term Care, AARP Minnesota (September – present)
- Walter Gray, Financial Advisor, Ameriprise Financial
- Michelle Kimball, State Director, AARP Minnesota (March 20 – September 2013)
- Jess Luce, Communities for a Lifetime, Supervisor, Dakota County Public Health
- Olivia Mastry, Principal, Mastry and Associates (working with national Leading Age task force on LTC financing)*
- Beth Paterson, Executive Vice President, Reverse Mortgages SIDAC
- Toby Pearson, Vice President of Advocacy, Care Providers of Minnesota
- Julia Philips, State Health Actuary, Minnesota Department of Commerce (for Commissioner Mike Rothman)
- Craig Roers, Marketing Manager, Newman Long-Term Care
- Robyn Rowen, Executive Director, Minnesota Insurance and Financial Services Council
- Marlene Stum, PhD, Associate Professor, Family Economics and Gerontology, University of Minnesota*
- Beth Woods, State Health Insurance Program Coordinator, Metropolitan Area Agency on Aging*

Staff and Consultants
- Tina Armstrong, Health Policy Specialist, Minnesota Department of Commerce
- Kim Carolan, Eligibility Policy Manager, Health Care Eligibility and Access Division, DHS
- LaRhae Knatterud, Director of Aging Transformation and Own Your Future Minnesota, DHS
- John O’Leary, O’Leary Marketing Associates
- Maureen Wagner, Own Your Future Program Associate, DHS

*External expert added to the subgroup