

Summary of Discussion with LaRhae Knatterud, Mick Finn, and Eric Schubert

Civic Caucus, 8301 Creekside Circle, Bloomington, MN 55437

Friday, August 14, 2009

Present: Verne Johnson (Chair); Janis Clay (phone), Bill Frenzel (phone), Paul Gilje, Jim Hetland (phone), Jan Hively, Dan Loritz, Tim McDonald, Stacia Smith, Bob White

A. Context of the meeting— Because of the importance of long term care to the state, the Civic Caucus has been urged for some time to get more into the issue, which is today's subject.

B. Welcome and introductions—We have with us today three highly qualified people to talk about the challenge of providing long-term care to the people of Minnesota.

LaRhae Knatterud is director of Aging Transformation at the Minnesota Department of Human Services. She has been at the Department since 1994. While there she has done extensive work on the changing demographics of the state, including staffing the state's long-term care task force from 2000-2003. She has written reports for the legislature, and presents regularly to groups around the state. She is presently staff leader for the department's Transform 2010 project, preparing the state for the shifting age of the state's population.

Mick Finn leads Ecumen's senior housing and services operations throughout much of the Midwest. Before Ecumen he was vice president of customer operations for UCare Minnesota, and senior vice president of public affairs for the Minnesota Health and Housing Alliance. He served as assistant commissioner of health in the administration of Governor Perpich.

Eric Schubert is Vice President for Communications and Public Affairs for Ecumen. In 2006 he directed the Ecumen Age Wave Study, the largest survey ever of Minnesota baby boomers' views on aging. He also blogs about innovation related to aging at Ecumen's "Changing Aging" blog. In 2007 he was named as one of the Twin Cities' top leaders under age 40 by the *Minneapolis/St. Paul Business Journal*.

LaRhae will set the stage for the discussion, laying out data and providing background on demographic changes taking place. Mick Finn will talk about the practical side of providing care, and Eric will add from his experiences.

C. Comments and discussion—During comments by Knatterud, Finn and Schubert and in discussion with the Civic Caucus the following points were raised:

1. Summary of the problem in long term care---Schubert outlined the heart of the problem as follows: A critical leadership opportunity for Minnesota's next Governor and the citizens of Minnesota is to transform how we pay for long-term care and empower people to get the right services and care in the right place at the right time. To enhance Minnesotans' quality of life and fiscal health, we must innovate in this public policy area:

a. Impact of baby boom--Minnesota's largest growing demographic segment is residents 50+, with the fastest growing segment Minnesotans 85+. In 2020, we'll have more seniors than children, a Minnesota first. With people living longer with chronic conditions, need

for long-term care services - from home services to transportation to assisted living to intensive care will increase.

b. Projections of future expenses are beyond our capacity to finance--

Government spends more than \$1 billion today on long-term care in Minnesota, which today does not pay for the real costs of providing that care. If the status quo remains, government will spend at least \$20 billion in Minnesota by 2050, crowding out other investment needs.

c. Small current use of long term care insurance-- Medicare does not pay for long-term care, and only about 10% of Minnesotans have private long-term care insurance. The remainder of care is provided by family members or by Medicaid after a person impoverishes him or herself.

d. Decline in availability of family care giving-- The availability of family caregivers is declining due to smaller family size, family members separated by long-distance and families having heads of the household working fulltime. Every 1% decline in the percent of eldercare provided by families in Minnesota costs the public sector an additional \$30 million per year.

e. Higher costs to businesses--It costs U.S. businesses \$33 billion in lost productivity due to employees having to miss work to provide care and services to family members.

f. Less availability of family resources—Prior to the recession, approximately 30% of Minnesotans born between 1936 and 1964 were at "very high risk" of having inadequate retirement income and unable to afford health and long-term care costs.

2. Demographic change: an aging population--Knatterud handed out a report she drafted for the Legislature in 2005 ("Financing Long-Term Care for Minnesota's Baby Boomers") on the challenges of financing long term care. One pair of statistics: The next 25 years will see a doubling of the state's population of people over age 65, and a tripling for those over 85.

This will be tempered by growth in the population as a whole, the chair pointed out—to which Knatterud agreed, but said that there is still a shift from 12.5 percent of the population presently over age 65, to 25 percent. About 30 percent of the boomer generation don't have children.

A member said that the notion of 'productive aging' is picking up currency, and that society may become—will need to become—healthier as it ages.

Knatterud agreed, "The goal is to live to 100, and die of nothing." (quote from Tor Dahl, health economist)

The resource persons noted that a contributing factor to the need for long term care is whether people are caring for themselves---such as avoiding excessive weight.

3. Who provides care for the elderly--The vast majority of long-term care—91 percent—is provided by family; either a spouse or adult children. This is down 6 percent from two decades ago. There are possible explanations for this, Knatterud said. Families are trending smaller, women are working, the role of churches in assisting families is decreasing. Knatterud estimates that family-provided long term care is worth about \$7 billion annually in Minnesota,

which is vastly higher than the government investment in long term care in the state, about \$1 billion annually. Even a small percentage drop in family-provided care will have major expense implications for government, she said.

“This is a major public policy issue,” she said. As the trends pan out, and the population ages while the role of the families decreases, something will need to fill the void. “If families don’t provide the care, we will need to pay for it somehow.” She has a few ideas:

- Tax credits for people who care for a dependent adult
- Services: respite, basic supports, professional advice
- Boost purchasing of long-term care insurance

There is a high demand for services, she noted. Many people want and need to care for elderly in their families and would benefit greatly from a professional coming into the house periodically or daily to provide advice, perform functions of care, “and just to give you a break so you can have a life. It can be all-consuming caring for someone.”

Schubert said that there is a federal strategy to address some of these points floating around the health care bills presently in the works. Legislation being considered in the House and Senate is The CLASS (Community Living Assistance Supportive Services) Act, which provides a national insurance trust that offers voluntary participation.

On the matter of long-term care insurance, Schubert argued that it should be a standard policy that people own, but as it is only about 7 percent of adults have one. People don’t purchase for a number of reasons, including assuming Government will pay for care, they don’t understand the policies or trust that they’ll be there for them when they need the benefit, they don’t want to think about aging or end of life, it’s not a priority, or they can’t afford it. The percentage in Minnesota is slightly higher, about 10 percent.

4. Who pays for long-term care?--The speakers said that first a person’s private resources are exhausted. Anyone on public assistance must first have utilized all their personal assets. This is why long-term care insurance is so important. Families put in an average of \$300 of their own money, monthly.

The average assets of a middle class person at the end of their life are \$100-200k, usually in the form of their home. This is exhausted quickly. Public assistance in the form of Medicaid only comes in at the very bottom, and doesn’t cover costs. “Many more people die with nothing than it is commonly believed.”

This disconnect has significant ramifications for the public coffers and the public good, Schubert said. On top of it, we continue to make breakthroughs on treatment of chronic illnesses that, while extending life, are entering a realm of long-term care that we haven’t seen before.

“This is a huge women’s issue,” a member added. “Women leave the workforce to care for spouses or family members and it affects their pensions, their pay for the future.”

5. Advice to gubernatorial candidates: We need innovation--The chair asked the speakers what advice they might provide to gubernatorial candidates on long-term care. Schubert had some good thoughts:

“I’d tell them, ‘You’ve got to get hip to the age wave.’ Everything the Civic Caucus talks about is tied to health care, and long term care—transportation, education—all of this is interconnected and affected by what it will take to finance long-term care.

“You talk about innovation in transportation and education; innovation is needed also in health care or else the whole system will be overwhelmed.”

Employers need to pay attention to this, too, the speakers agreed. As the population ages and more workers find themselves needing to care for family members, employers will need to provide flexibility to ensure productivity. “Soon ½ of workers will be caring for someone,” Knatterud said.

6. Opportunities for innovation--Finn said that his role in this is to look for viable innovation opportunities as the need for care expands. It is possible to meet needs, at a much lower cost than we are used to. He laid out three:

a. Community-based services: Extend assistance with minimum leverage. Provide something between all-or-nothing care; something between staying home with no help, or going into a full-service nursing home. At-home visits, for example. At-home rehab, support. This is cheaper both for the people who then get to stay in their homes, and for the state.

b. Chronic Care: There is tremendous opportunity to rethink how we provide chronic care. Continuous, arduous, expensive volleys between home and the emergency room are not good for anyone. Opportunities exist for new types of collaboration between hospitals and senior care providers to provide more integrated, cost-effective care and preventive services while creating truly integrated local care networks.

c. Provide live-in care options that are less like nursing homes and more like apartments. In Minnesota you don’t need to be in a licensed facility to receive public support.. That enables flexibility for customers and providers, and a reduction in reliance on cost-intensive institutional nursing homes.

“We want to change the way people age,” Finn said. “An arrogant claim, in ways, but it’s what Ecumen tries to do.

“We’ve reduced the number of beds in nursing homes by providing alternative living and service options. People don’t want to be in nursing homes, and they are financially inefficient the way Minnesota currently utilizes them. .” He continued:

“It used to be that for the frail, elderly, poor the only option outside of the home was a skilled-nursing facility; a nursing home. That is a very expensive proposition, and states are applying it frivolously—or at least more than we need to. The costs of physical construction are double in a skilled nursing facility than assisted living. The costs of operating it are four times higher. They impoverish people. And government reimbursement for care provided doesn’t cover costs.

“Our goal is to provide services that substitute for nursing homes,” Finn concluded. “We can put up a wood-framed apartment cheaper than a cinder block institution We can hire people to provide assistance well at a rate lower than a staff comprised entirely of RN’s and focus RN’s on where they’re truly needed.”

A member asked Finn about the revenue model of their services. “We maintain about a 70/30 private/public split in sources of revenue,” Finn said. “As the public rates for reimbursement go up or down, that relationship changes.”

Finn sees long-term care as a growth area, so long as providers continue to find new ways to meet needs. “We can see a business future in this kind of environment,” he said. “And, we can have our own vision of aging. When someone comes into one of our homes we hammer out a contract with their family. We call it a Lifestyle Covenant. What kind of services do they need? Do they just want to live there, with no services and retain complete control? Do they need something more? We let them define it themselves, and revisit the contract every year.”

Knatterud concurred that this is a good approach. “From the state’s perspective, we do prefer community-based care,” she said.

7. Change in the function of nursing homes--Finn emphasized that major changes in the role of nursing homes are occurring. About 60 percent of nursing home residents don't need such a high level of care. He prefers the term skilled nursing facility (SNF) rather than nursing homes. Average stay is now about 27 days. It's extremely expensive to care for someone in a traditional nursing home. Long term care is being provided more and more in assisted living and independent living apartments where people would rather live.

Moreover, the state is raising the level of need to qualify for Medicaid, which pays for SNF (nursing home) care for people who have exhausted other resources, which will have the effect of reducing the number of people in an SNF.

8. Shift in emphasis to chronic disease care in the SNF (nursing home)--More and more, Finn said, the SNF is concentrating on dealing with chronic disease (e.g. asthma, diabetes, congestive heart failure) management, a service that's not provided by hospitals. If you walk into a SNF at 10 p.m. any night, the facility will look more like a general ward in a hospital, he said. The objective of a well-run SNF is to help manage the chronic disease so the resident/patient can be sent back home as quickly as possible.

9. Does Minnesota need 300-plus nursing homes?--Referring to the 2010 campaign, Schubert said that candidates for Governor and Legislature need to address whether the state still needs 300-plus nursing homes. The word "home" ought to refer to the place where someone wants to live. More emphasis is needed on assisted living and in-home care. More emphasis is needed on personal responsibility.

10. Support a broad integrated approach--Knatterud highlighted "Transform 2010", a joint venture of the Minnesota Department of Human Services, the Board of Aging, and the Department of Health, to prepare Minnesota for a coming age wave of baby boomers and a permanent shift in the age of the state's population. Five themes are central to Transform 2010, Knatterud said:

a. Redefining work and retirement--Minnesota should encourage individuals to continue working in both paid and non paid roles beyond traditional retirement age.

b. Supporting caregivers of all ages--Minnesota needs to slow the decline of family care giving by offering elder care in all work places and redesigning services to wrap around family care.

c. Fostering communities for a lifetime--Communities should be good places to grow up and grow old, and offer physical, social and service features for residents of all ages.

d. Improving health and long-term care--We must transform health care, promote good health for all, improve chronic care and intensify long-term care reform.

e. Maximizing use of technology--We should use technology to maximize the benefits and minimize the hazards that accompany a permanent age shift.

For more discussion of "Transform 2010" go to:

http://www.dhs.state.mn.us/main/idcplg?IdcService=GET_DYNAMIC_CONVERSION&RevisionSelectionMethod=LatestReleased&dDocName=id_054450.

11. Possible incentives for people to save for long term care?--It was suggested that perhaps Minnesota ought to adopt a form of incentive said to exist in the United Kingdom where people are given prizes for setting aside savings.

12. Thanks--On behalf of the Civic Caucus, Verne thanked Knatterud, Finn, and Schubert for meeting with us today.

D. Announcement of special gift to the Civic Caucus--Verne said that Audrey Clay, widow of Charles Clay, Civic Caucus core member who died earlier this year, has made a gift of \$10,000 to the Civic Caucus.