

April 2018

The State Health Access Data Assistance Center (SHADAC) worked collaboratively with the Minnesota Department of Human Services to develop a model to project the use and cost of Medicaid spending on Long Term Services and Supports (LTSS). Our main objective was to estimate LTSS utilization and costs for those 65 years and older for 2020 and 2030 under different contexts and scenarios for policy intervention. The model is intended to serve as a resource to the state as it plans for the future role of public financing of LTSS.

Growth in the number of older adults

By 2020 the Minnesota Demographic Center estimates that Minnesotans age 65+ will grow by nearly 20 percent, resulting in an additional 160,000 older adults. By 2030, the total number of older adults in the state will grow to 1.28 million. While older adults account for about 16 percent of the state's population, by 2030 they will make up 22 percent of the population — that is, one out of every five Minnesotans will be age 65 or older (MN Demographic Center 2018).

Long Term Services and Supports (LTSS)

LTSS encompasses the broad range of paid and unpaid medical and personal care assistance that people may need — for several weeks, months, or years — when they experience difficulty completing self-care tasks (Kaiser Family Foundation 2015). The majority of LTSS is paid for by Medicaid, at a tremendous and growing expense to the state. It is critical that the state of Minnesota strategically plans for the future impact of these demographic trends both for the needs of individuals but also for impact on state programs and services, particularly state Medicaid financing.

Medicaid spending on LTSS

While the elderly (age 65 and older) currently make up only 6 percent of the Medicaid population in Minnesota, they account for 22 percent of total Medicaid spending with an average annual cost in 2015 of \$36,990 (MN DHS 2018).

Overview of the Minnesota LTSS Projection Model

Minnesota-specific data inputs

Our model was built on Minnesota-specific data and uses assumptions that reflect Minnesota's demographic trends and current Medicaid spending on LTSS. The model is geared specifically toward Minnesota's unique history of financing and delivery of care to older adults. In addition, it produces information aimed at informing the policy options of interest to Minnesota.

Flexible and sustainable

The model represents a platform of data and inputs that can be added to and developed over time. In its first version, the model incorporates the evaluation of two policy interventions. However, our intent is that the model will be an evolving resource that can be refined and updated over time to extend its shelf life and usefulness in strategic planning, incorporating the evaluation of other policy options.

Target Population

We focus our model on the Medicaid-funded services for the elderly, 65 and older. Our universe is Minnesota residents aged 50 or older in 2015 (who will be 65 or older in 2030). Our projection model creates a longitudinal dataset into the future (2020 and 2030). We have excluded Medicaid spending for the disabled under age 65 and the cost associated with use of acute care services.

Key variables in the model

The model projects demographic transitions and changes in relevant characteristics related to the use of LTSS:

- Mortality
- Morbidity (ADL limitations, stroke & diabetes, low cognitive function)
- Long Term Care insurance (LTCi) coverage
- Eligibility for Medicaid LTSS (based on household income and assets)

Key Data sources

Our data includes state and national data with an emphasis on use of Minnesota-specific data when available:

- Census Bureau, American Community Survey, five-year file (2015)
- National Institute on Aging, Health and Retirement Study (2000, 2006, and 2014)
- Minnesota Department of Health, Minnesota Health Access Survey (2015)
- Minnesota Board on Aging, Survey of Older Minnesotans (2015)
- Center for Disease Control and Prevention, Behavioral Risk Factor Surveillance System (2015)

Initial Policies Evaluated

LifeStage Insurance Product

The LifeStage product merges term life insurance policy with long-term care insurance. The product provides a term life insurance benefit up to age 65 and then converts to a LTCi policy. The target population includes employed adults with a high school degree or more, aged 35–55, with annual household income between \$50,000 and \$500,000. Our model predicts outcomes under three scenarios of take up assuming that LifeStage had been implemented in 2000.


Enhanced Home Care (EHC) benefit embedded in Medicare supplement plans

This policy would embed an Enhanced Home Care benefit package in Medicare Advantage, Medicare Cost, and Medigap plans sold in Minnesota. The Enhanced Home Care benefit package includes non-medical chore services, service coordination, and adult day care. The product includes a maximum daily benefit of \$100 and lifetime benefit of \$50,000.

Next Steps

Our projection model is intended to serve as a starting point for additional analysis and policy evaluation. It is designed to be updated and improved over time with inputs to further enhance the model.

SHADAC Contact Information

Lynn A. Blewett, blewe001@umn.edu  [@lynnblewett](https://twitter.com/lynnblewett)

Giovann Alarcon, alar0013@umn.edu

Website: www.shadac.org