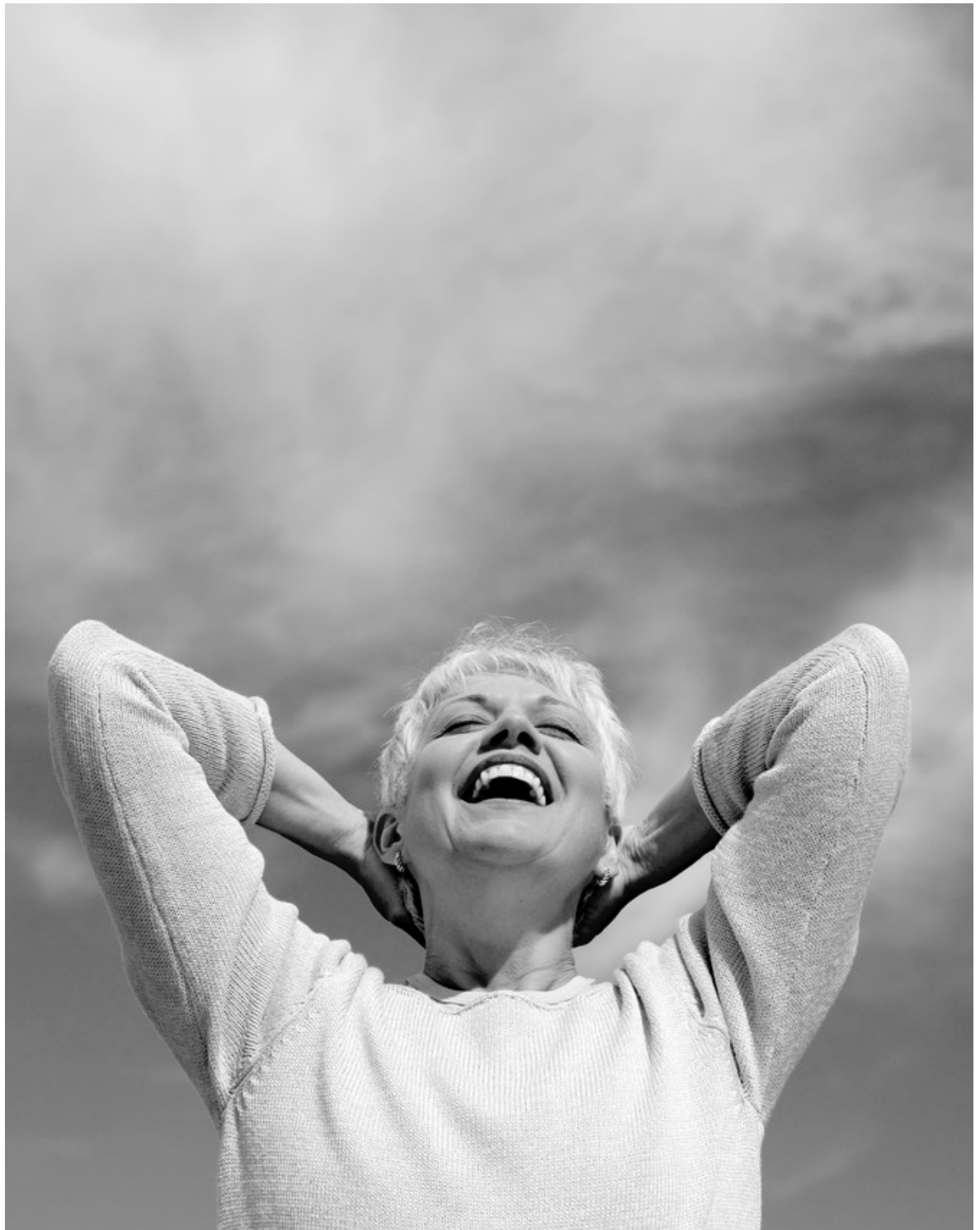
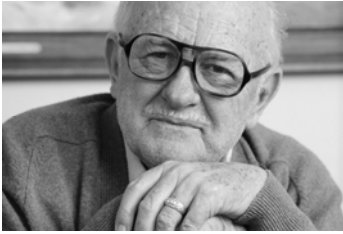


*Mapping the Future of Older Adult Services:
ESTIMATING THE NEED*



The
**Long-Term Care
IMPERATIVE**

A Minnesota Collaboration for Changes in Older Adult Services



Six years ago, our two associations came together to create a new coalition united in the belief that traditional models of long-term care service delivery must be transformed. Our vision, articulated in a document called *Principles for Change*, called for Minnesota to leave behind the “institutional model” of nursing homes of old in favor of a continuum of options for seniors ranging from state-of-the-art care centers to new combinations of housing and services to services in one’s own single family home. The common thread across these options for seniors was choice, dignity, quality and consumer-driven decision making.

Undeniably, some progress has been made towards these goals—Minnesotans in most parts of the state have greater access to home-based service, and to a variety of assisted living and congregate senior housing options. At the same time, the nursing home sector has been dramatically downsized and shifted its services significantly to rehabilitation and transitional care. Yet, these six years later, some vital questions that would help us prepare for the future remain unanswered:

- *How many care centers will be needed to serve Minnesotans over the next 25 years? Can we close more facilities/beds?*
- *What factors have the most influence on demand for 24 hour residential care?*
- *How many facilities should be replaced? Where in the state will they be needed?*
- *What will be the characteristics of those who will be served in care centers—and what does that mean for the design of new/replacement facilities?*
- *What capital investments will need to be made to ensure the availability of even a reduced number of care centers?*
- *Will Minnesota be ready for the “boomers”—the Age Wave—that lies just a few years ahead?*

No one can predict the future, but against the backdrop of those questions, we commissioned an in depth look at demographic trends, workforce data, family caregiving, care center finances, available community services and stakeholder’s views of the future of long-term care. The result is the **Demand Model**, created by our consultants, LarsonAllen and Halleland Health Consulting. Paired with the Minnesota Department of Human Services visioning and the best thinking of the stakeholder community, we believe it will help meet the challenge of creating *today* the future of older adult services in Minnesota.

Gayle Kvenvold
President/CEO
Minnesota Health & Housing Alliance

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Care Providers of Minnesota



A Minnesota Collaboration for Changes in Older Adult Services

Mapping the Future of Older Adult Services: Estimating The Need

FACT:

By 2030, one of every four Minnesotans will be over age 65 (compared to 1 of 8 today).

FACT:

Minnesota has fewer women – traditionally caregivers for their aging family members – available to do this work than in other states. Here, more women work outside the home than any other state: 66.4 percent in 2004.

FACT:

Minnesotans now use skilled nursing facilities, following an acute care stay, at about 150 percent more frequently than the national average for older adults. This allows older adults to recover more thoroughly and reduces the cost of care.

These and other facts surrounding long-term care point to challenges in planning for the future. But, by taking steps now, we have an opportunity to help build the foundation to transform aging services that will take into account both the aging population and government's role in meeting the needs of all its citizens.

A key element of the Demand Model work is predicting the need for skilled-care beds over the next 25 years. At first look, it may not make sense to consider a decline in the number of nursing home beds even as the population ages and more Minnesotans will need older adult services.

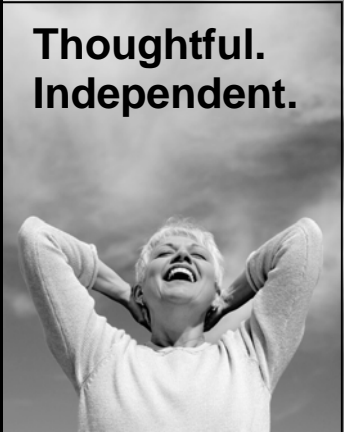
The Demand Model helps put this in perspective. **There can be a reduction of skilled care beds if:**

- An investment is made in home- and community-based spending for about 2,500 to 4,400 people each year at \$8,000+
- Acute care utilization per 1,000 population remains constant. Even with a constant utilization rate, the admissions from acute care will increase from 31,700 to 60,000 or more per year by 2030
- An additional 16,649 assisted living units are constructed by 2030
- There is availability of family/community caregivers. Those 65+ living alone will grow from 184,500 in 2005 to 347,000. Of these, about 100,000 will be 85+ by 2030 and many will not have family or others to provide informal care.

With the right planning, older Minnesotans will have access to the care they need, **in a place they call home**, for as long as possible.

The care they receive will be top-notch, innovative, technologically advanced, and accessible to everyone.

Skilled care centers will be state-of-the-art. Congregate living facilities and home- and community-based services will be available. *Minnesota's older adults will receive the right care in the right place at the right time.*



Thoughtful.
Independent.

but ...

Families have provided 91% of care needed by older adults.
One third of Boomers will not have children.
Who will provide care for frail elderly in 2030?



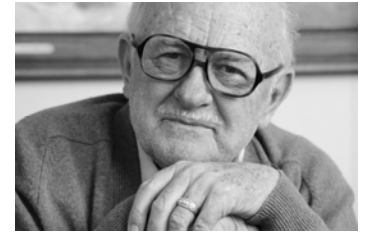
Key Conclusions of the Demand Model Study

1. The need for skilled care beds will significantly decline over the next 25 years — by 7,300 bed — with most of that decline occurring *after* 2015..
 - The investment in home- and community-based services and assisted living may delay or eliminate the need for some stays in skilled nursing facilities.
 - Increasingly, assisted living may substitute for skilled nursing facility stays in the future, but over 16,600 new assisted living units will be required to achieve the estimated bed decline.
2. Services provided in care centers will shift dramatically as more and more residents seek short term care following an acute illness or ambulatory surgery. This has implications for facility design, staffing, payment systems and regulation.
 - Admissions to skilled nursing facilities for short stay recovery and rehabilitation are expected to double over the next 20 to 25 years and will represent 70 to 80 percent of all skilled nursing facilities residents.
 - The payer mix is likely to change with Medicaid paying for less than 40 percent of all customer stays and managed care playing a larger role.
3. Minnesotans are not saving enough for their long-term health care needs. For an increasing number of older Minnesotans, this will limit their choices and increase the financial burdens on families and public programs.
4. Many of Minnesota's skilled nursing facilities are older, do not meet customer requirements, and cannot be easily adapted for new technology.
 - Capital costs to replace aging and outdated skilled care facilities are expected to be about \$4.1 billion over the next 10 years and almost \$10 billion over the next 25 years.
 - The analysis indicates that Minnesota skilled care facilities may have insufficient financial performance and creditworthiness to fund capital and facility replacement.
5. The consumer demand for skilled nursing facilities may exceed the supply of skilled nursing facilities beds in certain regions of the state, as beds close due to deteriorating financial performance.
 - A continued deterioration in the current fragile financial condition of skilled care facilities will result in a significantly greater reduction of skilled beds over the next 10 years than historical trends.

“When a nursing home closes, especially in small towns throughout Minnesota, it affects the community. Jobs are lost, which means banks don’t have the local deposits, and other local businesses don’t have the revenue. It means older adults will have to move away from their community, farther from home, and farther away from family. And families will be forced to travel greater distances to see loved ones.”

- Long-Term Care Imperative

The Demand Model suggests that the time is right for a fresh look at the issues facing the State, its service providers, and its residents.



The overarching goals of this “fresh look” would be to create a **COMPACT** with caregivers, residents, policy makers and providers to assure:

- C**apital availability for tomorrow's facilities and technology
- O**versight that reinforces quality while allowing creative options for care delivery and resource allocation
- M**oratorium exception process that protects necessary access
- P**roperty reimbursement that supports creditworthiness and access to capital
- A**vailability of sufficient year-to-year funding to support efficient and effective care delivery to older adults
- C**ollaboration with key stakeholders to ensure that other housing venues required by older adults will be available when needed
- T**ransition of care delivery systems, facilities and payment models to meet the needs and challenges of customers of the future.

Variables That Influence Demand:

Demographic changes and a view into the future of aging services were taken into consideration in the Demand Model. These include:

- Estimates of the population over age 65
- A predicted shortage of family caregivers
- Inadequate retirement income
- Access to home- and community-based services
- Hospital discharges to skilled nursing facilities
- The percentage of people living alone
- Obesity
- Long-term care insurance
- New in-home technologies
- Consumer preferences

Regions w/
challenges

Fewer Informal Care Givers Lead to Increased SNF Usage					
	Care Giver Ratio 85+/100 Females 45-64 yrs			2000 Beds per 1,000	
	2000	2010	2030	65+	85+
East Central	16.0	14.8	24.1	65.5	488.8
Northeast	18.9	19.3	31.4	67.3	470.2
Northwest	21.4	19.9	30.9	73.7	477.8
Southeast	18.8	18.2	27.6	68.6	473.0
Southwest	29.0	25.9	37.5	85.3	501.8
West Central	24.5	21.6	33.2	85.7	539.5
Twin Cities Metro	12.8	11.5	18.8	65.8	511.1
Statewide Average	16.4	14.7	23.1	69.7	498.2

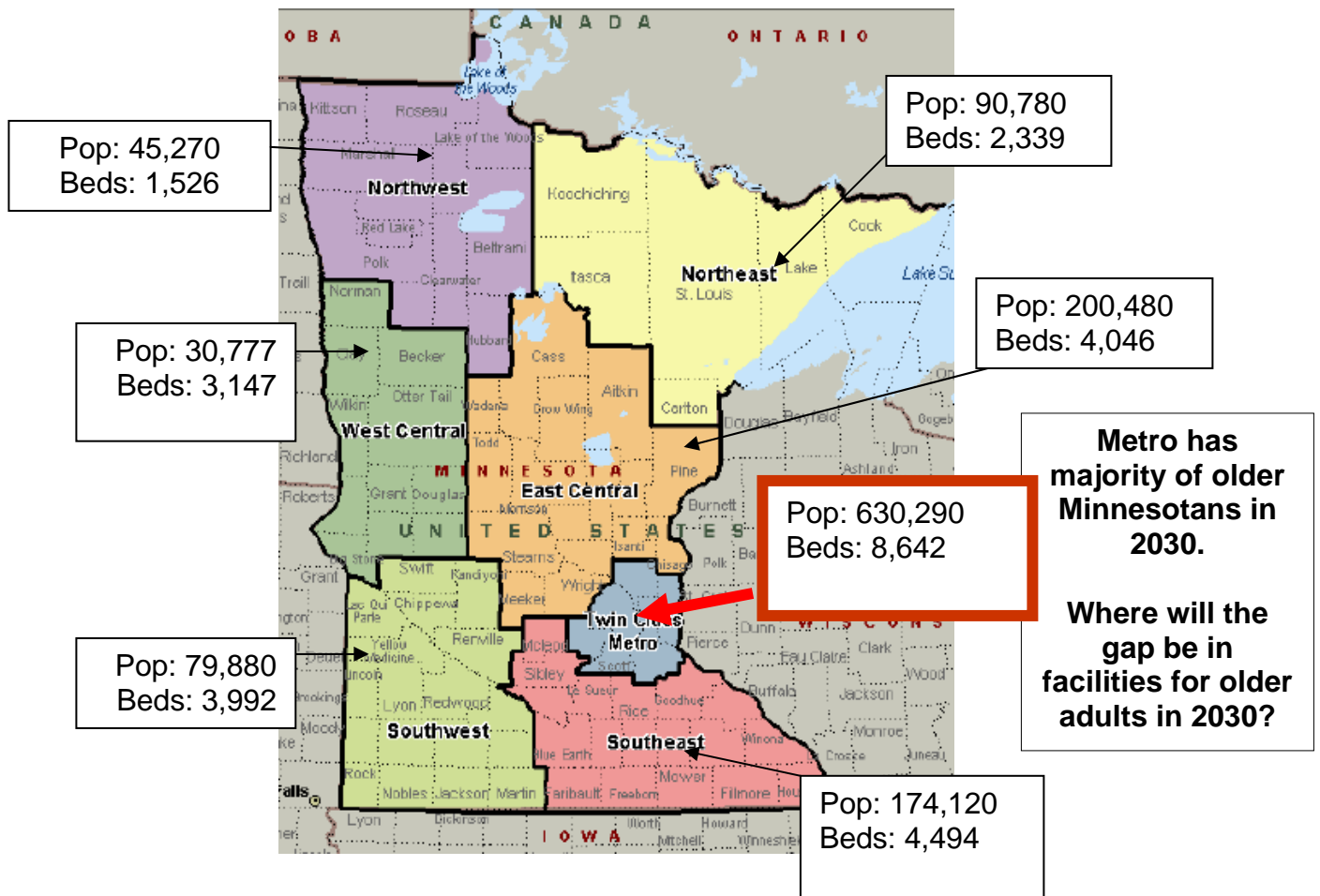
Variable Impact of Changes in Future Care Giver profiles – (Higher ratios reflect fewer potential informal caregivers available to care for elders)

Next steps...

Define a new role for skilled nursing facilities.

For more than 25 years, "right-sizing" the nursing home industry has been a dominant policy theme in Minnesota. The number of nursing homes and licensed beds has been declining since 1987, when Minnesota had 468 facilities and 48,307 beds. Since then, 57 facilities have closed altogether and 9,538 beds have been de-licensed. As skilled nursing facilities shrink in number, they also are being dramatically redefined. The changes needed to cement those changes are on the horizon.

- Care centers of the future will experience residents with a significantly higher acuity, larger numbers of short-stay residents, a different mix of staff, and more reliance on medical and telecommunication technologies. Admissions to skilled nursing facilities for short-stay recovery and rehabilitation are expected to double over the next two decades and will represent up to 80 percent of all care center admissions.
- Facility design models will need to mix the home-like and "neighborhood" environments that enhance the lives of long-stay residents with the higher technology and clinical care of recovering short-stay residents. Not all current facilities can be adapted for new technologies or to meet customer requirements.
- Capital investments should take into account regional differences. Metro and contiguous counties are expected to have larger facilities in a campus format and closely coordinated, if not located, near acute hospitals and intergenerational residential communities; rural communities will need smaller scale facilities (40-90 beds). Policy makers should recognize that supporting fewer **facilities will inconvenience families and older adults in certain parts of the state.**



Mapping the Future of Older Adult Services: Estimating The Need

Expand options for Minnesota's seniors.

The Long-Term Care Imperative Demand Model assumes that the market will generate a net increase of about 16,000 new assisted living units by 2030, with as much as 70 percent of this new capacity pulling demand from traditional skilled nursing facilities.

- Public and private economic policy must fund the staff and capital needed for these new assisted living facilities. They must be designed, staffed and equipped to serve older Minnesotans who might previously have resided in skilled nursing facilities.

State Investments in HCBS

(Low Bed Scenario requires substantial HCBS additional investments by State)

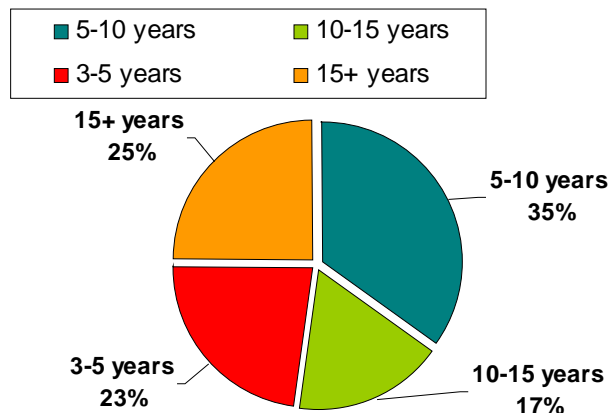
Assumption:
\$20 million additional each year w/ COLA at 3.5% per year

Regions	Incremental State Spending in 2030		Population 2030		Incremental \$'s Per Person 65+
	Funds (millions)	Percent	65+	Percent	
Metro	\$501	43.9	630,290	48.8	\$795
East Central	\$163	14.3	200,480	15.5	\$813
Northeast	\$94	8.2	90,780	7.0	\$1,035
Northwest	\$46	4.0	45,270	3.5	\$1,016
West Central	\$73	6.4	69,790	5.4	\$1,046
Southwest	\$94	8.2	79,880	6.2	\$1,177
Southeast	\$171	15.0	174,120	13.5	\$982
Statewide	\$1,142	100	1,290,610	100	\$885

Meet the future in services and programs:

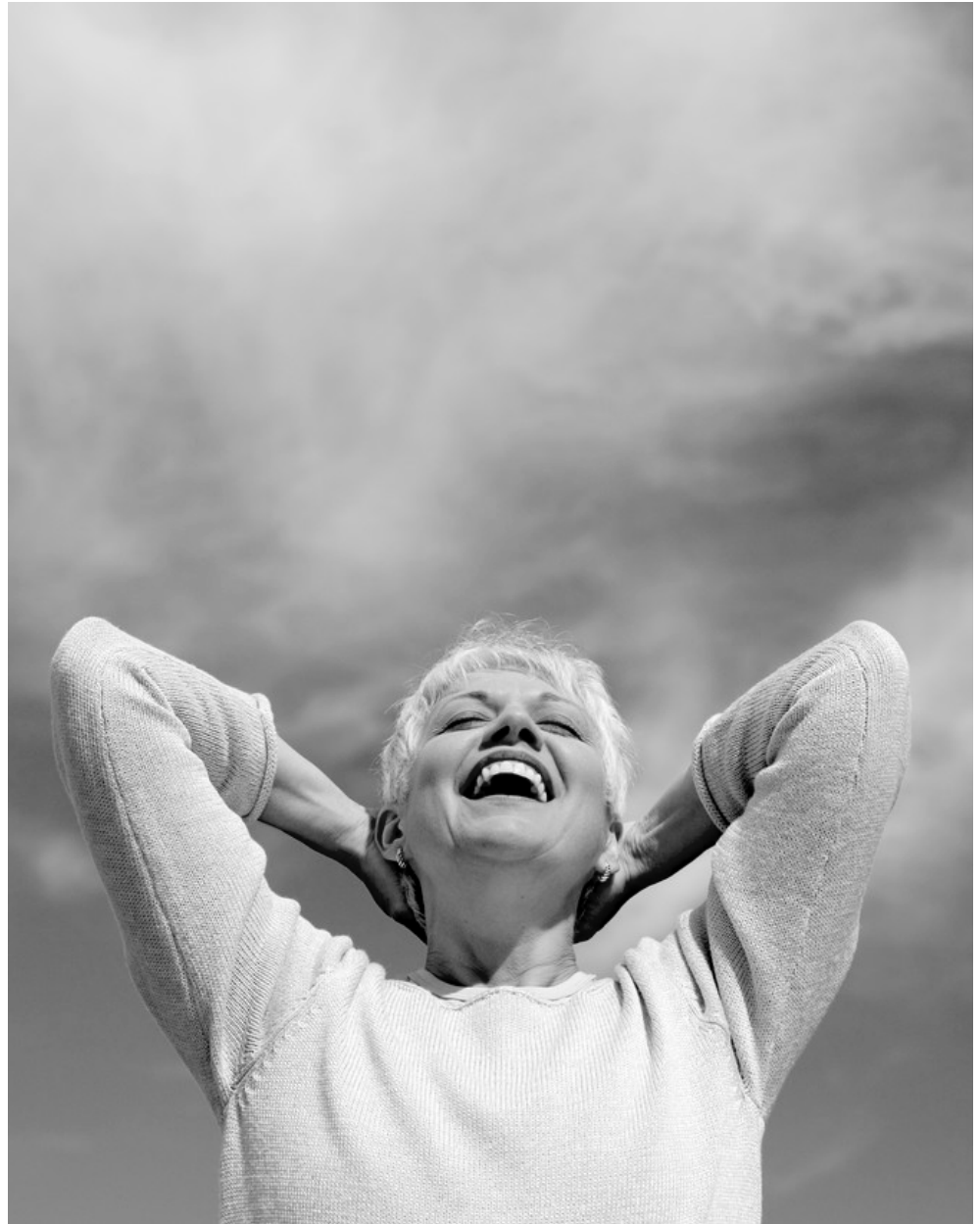
- Environments that reflects the normalcy of the environment that the resident previously enjoyed
- Activities that promote intellectual stimulation, physical well-being, health improvement, self-reliance and enhance self-esteem
- End-of-life and palliative care integrated into everyday services and care
- Care through the changes in health coordinated to achieve the highest possible outcomes consistent with residents' preferences
- Intergenerational programming and services incorporated into the services offered
- Technology routinely used to improve privacy, reduce noise, reduce staff workloads, communicate and record

Nursing Facility Replacement



Based on the current average age of plant of respondents to the Imperative survey, approximately 58% of nursing facilities will likely need to be replaced or significantly renovated in the next 10 years.

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