

Reverse Mortgages New Option to Pay for Long-Term Care at Home

Barbara R. Stucki, Ph.D.
National Council on the Aging

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Planning and Evaluation (ASPE) and AoA

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Home Equity - A Timely Issue

- About 80 percent of Minnesota's older households (age 62+) are homeowners. 72 percent of those homes have no mortgages.
- Seniors are being encouraged to tap home equity. They need help to make sure they use this asset wisely.
- 2005 report to the Minnesota Legislature identified reverse mortgages as a private financing option for long-term care (LTC).
- Funds from reverse mortgages can help seniors to "age in place" and avoid costly institutional care.

ASPE/AoA Reverse Mortgages for Long-Term Care Study

- 13 month study (Oct 2005 - Nov 2006). Funded by grants from ASPE and Administration on Aging.
- Goal – Work with selected states and communities to find ways to promote the appropriate use of reverse mortgages to help seniors pay for home and community services.
- Target population – Impaired older homeowners at risk of needing government assistance (Medicaid).
- Currently working with Minnesota, Washington State, and the city of Los Angeles.

What is a Reverse Mortgage?

Reverse Mortgages – The Basics

- A loan that allows homeowners age 62+ to convert home equity into cash while living at home for as long as they want.
- Can receive payments as a lump sum, line of credit, monthly payments (for up to life in the home).
- Funds can be used for any purpose. Payments are not taxed.
- Loan comes due when the (last) borrower moves out, dies, or sells the home.
- Borrowers continue to own the home. They are responsible for repairs, insurance, and taxes.

Types of Reverse Mortgages

- Home Equity Conversion Mortgage (HECM).
 - HUD program, insured by FHA.
 - Represents 90% of the market.
- Cash Account loans offered by Financial Freedom Senior Funding Corporation.
 - Designed for homes worth \$600,00+.
 - Offer loans with no closing costs.
- Fannie Mae Home Keeper loan.

Consumer Protections

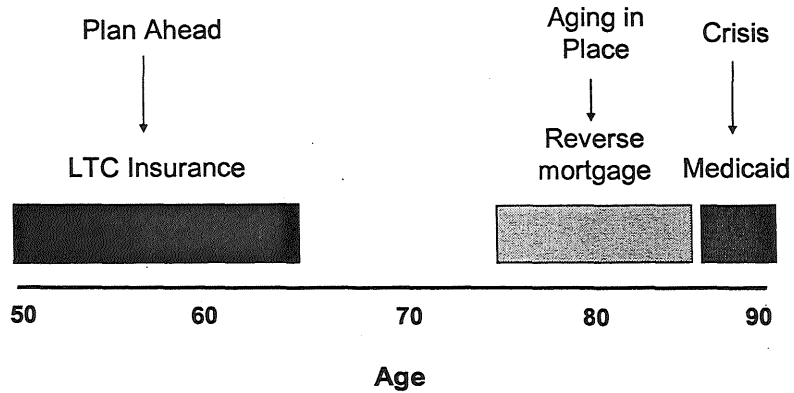
- Never owe more than the value of the house at the time of sale or repayment of the loan.
- Must receive counseling from a HUD-approved agency before they can take out a loan.
- Borrowers can cancel the loan for any reason within three business days after closing.

Loan Costs

- Origination fee.
- Mortgage insurance for HUD HECM loans.
- Other closing costs (title search, appraisal, etc).
- Repairs may be needed so the home meets FHA minimum requirements.

Using Reverse Mortgages to Pay for Help at Home

Reverse Mortgage - Fills a Gap

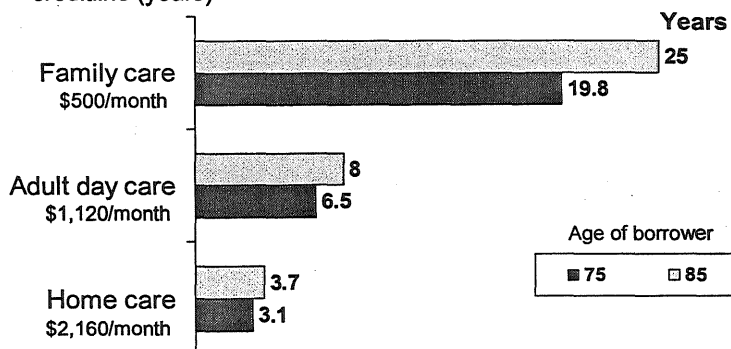


◆◆◆◆ New strategy to build resilience

- Proactive - allows for earlier intervention to avoid problems.
- Pays for everyday expenses associated with aging in place. Loan can be used for any purpose.
- Enables borrowers to fill unmet needs and critical gaps in services.
- “Just in time” strategy to help seniors manage the monthly budget and reduce the impact of financial shocks.

◆◆◆◆ Reverse mortgage funds could pay for home care for many years

Likely duration of funds based on monthly withdrawals from a HECM creditline (years)*



*Estimates based on HECM amount for a \$122,790 home and an annual creditline growth of 5.36%. Source: NCOA analysis using the AARP reverse mortgage calculator

Reverse mortgages can help seniors to “age in place”

Reverse mortgages can increase the resilience of older homeowners:

- Support family caregiving.
 - Extra help to reduce the burden of care.
 - Provide income to unpaid caregivers.
- Pay for preventive measures.
- Keep the home livable.
 - Home repairs and maintenance.
 - Adaptive devices, home modifications.
- Support communities.
 - Strengthen ties of reciprocity that build social capital.
 - Reduce isolation.

Barriers and Options for Action

Key barriers limiting the use of reverse mortgages

- Myths and misperceptions about reverse mortgages.
- Closing costs for these loans.
- Worries about using money wisely, fraud and scams.
- Impaired elders may not be able to continue to live at home very long due to their chronic condition.
- Fear of impoverishment.

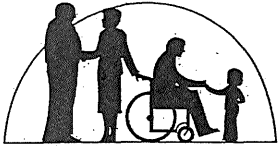
Options for Action

- Educate older homeowners and their families about using reverse mortgages for aging in place.
- Reduce upfront loan costs for borrowers who face financial challenges due to long-term care.
- Provide additional assistance and advice to help borrowers to stay at home as long as possible.



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Reverse Mortgages for Long-Term Care Project

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Minnesota Department of **Human Services**

February 14, 2006

Mark McClellan, M.D., Ph.D.
Administrator
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Mail Stop C1-26-16
Baltimore, MD 21244-1650

Attn: Christine Hinds

Dear Dr. McClellan,

Enclosed is Minnesota's application for a Medicare demonstration project to ensure that Medicare and Medicaid programs can respond expeditiously to the needs of people who qualify for the low income subsidy under Part D. As you know, Governor Pawlenty exercised his emergency powers to order the Minnesota Department of Human Services to pay, as a last resort, for prescription drug costs and related cost-sharing for low-income subsidy eligible people who had difficulties obtaining their medications.

While the enclosed application uses the template provided by CMS, we have some issues with the template. First, because Governor Pawlenty's Executive Order is in place through February 17, 2006, and we anticipate a potential additional amount of time to ensure that needs are being met, we are requesting funding for the longest period of time permissible, which you have represented as being from January 1, 2006 through March 8, 2006. Minnesota will be entitled to apply for and receive an extension to this period if any other state is granted a longer period.

Second, we are interpreting the definition of "low-income subsidy entitled beneficiary" to include expenditures for those individuals who should have been automatically enrolled in a Part D plan but were not. In particular, we are concerned about those individuals who were dual eligibles in 2005, who are no longer Medicaid eligible in 2006. Those individuals should have been automatically assigned to a Part D plan.

Finally, on the last page of the template, we are concerned about the requested state assurance regarding the use of demonstration project funds as State Medicaid matching funds. We submit this waiver request with the understanding that Minnesota is not receiving these funds as Medicaid funds and that there is no restriction on the use of CMS reimbursement for any state purpose.

We appreciate the quick development of this process, and look forward to working with you on both this project, and on improving the coordination between the Medicare and Medicaid Programs for prescription drug coverage for our most vulnerable populations.

Sincerely,

A handwritten signature in cursive script that reads "Christine Bronson". The signature is written in black ink and has a long, sweeping underline that extends to the right.

Christine Bronson
Medicaid Director

cc: Alan Dorn, Acting Associate Regional Administrator, Region V

The Minnesota Linkage Line and Medicare Part D Drug Benefit - Update

Updated Timeline

1/1/06	Medicare Part D began
1/14/06	Governors Emergency Order enacted
1/18/06	MN Executive council 30 day extension enacted
2/17/06	MN Part D emergency order expires at midnight
3/8/06	MN Part D extension ends if CMS approves waiver
4/2006	CMS will issue auto-enrollment letters to Medicare Savings Program enrollees that have not enrolled in a Part D plan. Plan enrollment will take effect on 6/1/06. The 14 benchmark plans will be used for this auto-enrollment
5/15/06	Part D initial open enrollment period ends
11/15/06	Part D open enrollment begins
12/31/06	Part D open enrollment ends

Minnesota's approximately 700,000 Medicare beneficiaries have an option to enroll in Medicare Part D, a new prescription drug benefit that became available on January 1, 2006. Current Medicare beneficiaries have until May 15, 2006 to make a decision without incurring a penalty.

1. The drug plan choices in Minnesota are diverse and complex. Minnesota's options include:
 - 41 Regional Stand Alone Prescription Drug Plans
 - 3 Regional Medicare Advantage Preferred Provider Organizations
 - 8 Local Medicare Cost Plans
 - 6 Local Medicare Advantage HMOs
 - 3 Local Medicare Advantage Private Fee For Service plans
 - 11 Local Medicare Advantage Special Needs Plans
2. Each of these 72 options has its own formulary and participating pharmacy network.
3. Individual prescription drug prices for each plan can change weekly.
4. Plans can change formularies as long as a 60 day notice is provided to the member.
5. Each plan has variable premiums, deductibles and other cost sharing amounts.
6. The more medications a beneficiary needs, the more difficult it is to choose the right plan and many plans won't cover all prescription drugs that a person is taking without the beneficiary filing an exception through the "exceptions, appeals and grievances" process which can be complicated in and of itself and requires additional forms assistance.
7. People with disabilities and frail elderly (often dual eligibles) as well as former Minnesota Prescription Drug Program enrollees especially need help as they tend to take more prescriptions.
8. People in nursing homes and other long-term care settings have the same options and needs for assistance.

Medicare Part D Linkage Line Assistance

While there have been system problems with the start of the Drug benefit, CMS indicates that they are working hard to resolve the problems. When system stabilizes, there will be a need for long-term supports to assist people on Medicare, Medicaid or both. Some examples of the type of assistance that the linkage line will provide:

- Assisting beneficiaries with the plan's Exceptions, Appeals and Grievances process in order to help them deal with changing formularies and new prescriptions in order to avoid the need to "shop" plans to get medications at the correct cost sharing amounts.
- Changing formularies will require many dually eligible beneficiaries to change plans. This will require intensive one to one assistance so beneficiaries can maximize their options and enroll in the plan where they will be able to get the majority of medications they need on the plan formulary to keep costs low.
- New Minnesota Medicare enrollees will need help choosing a Medicare Part D plan each year.
- General questions and problem solving assistance with Part D will continue. Medicare Part D is a new program and likely to undergo major changes in its implementation and plan options, especially in the next 3 years as there is speculation that employer plans will choose to either stay or end prescription drug coverage in the next several years and the current cadre of plan options will make critical business decisions to pull out or stay in the program depending on enrollment numbers and potential profit.
- Each year, beneficiaries that don't qualify for the Low Income Subsidy will have to cover the "True Out of Pocket" cost sharing requirements also known as the "donut hole. This would include coverage through pharmacy assistance programs, discount card options, cost comparison and price shopping, negotiations with pharmacies or clinics and physicians to explore short term medication management options.
- **The ongoing work of Linkage Line will also continue.** On average, Linkage Line received 7,000 contacts **per month** in 2004 while it received more than 7,000 contacts **per week** from November 15 and that number has now stabilized at 4500 per week.

State of Minnesota
Department of Human Services

PO Box 64989
St. Paul, Mn 55164-0989

February 9, 2006



JOHN SMITH
123 MAIN STREET
MINNEAPOLIS, MN 55155-4437

Dear Medical Assistance Enrollee:

We are writing to Medical Assistance enrollees who have Medicare to give them important helpful information. Have you been having trouble getting your prescriptions filled since Medicare Part D began? If you have, read this letter.

If you are having trouble getting your prescriptions filled, it is **VERY** important that you talk to your Medicare drug plan, pharmacy, and doctor to make sure the problems are fixed.

The state is helping pay for Medicare prescriptions for a short time.

The State is letting pharmacies bill it for Medicare drugs. The State will only allow this when a Medical Assistance enrollee has a problem that Medicare cannot solve. This will only happen between January 15 and February 17, 2006.

Even though the State does not pay for all of your drugs anymore, we want to help. Below is information to help you get your prescriptions filled through Medicare:

What should I do before I go to the pharmacy to get my prescriptions filled?

1. If you have the below items, take them to your pharmacy:
 - your Minnesota Health Care Programs card and your health plan card (if you are in a health plan)
 - an ID card or a letter from your Medicare drug plan
 - any letters from Medicare or Social Security that show the name of your prescription drug plan or your copay amounts.
2. If you did not get an ID card or letter from your Medicare drug plan, but you know the name of your plan, call the plan. Ask the plan if you are enrolled.

Ask the plan to give you the plan's "four RX" numbers that a pharmacist needs. Write them down below. Take these numbers with you to the pharmacy.

- Your ID number _____
- Your Group number _____
- BIN number _____
- PCN number _____

If you need help calling your Medicare drug plan, call the Linkage Line at (800) 333-2433.

3. If you do not know what Medicare plan you are enrolled in, you can find out by:
 - Calling (800)-Medicare or (800) 633-4227
 - Calling the Linkage Line at (800) 333-2433. The Linkage Line can give you the name of the plan you had in January. (If you changed plans or signed up for a new plan in January, the plan we have may not be correct.)
 - Going on the Internet to the prescription drug plan finder at www.Medicare.gov. Click on "Compare Medicare Prescription Drug Plans" and "Find a Medicare Prescription Drug Plan". Do a personalized plan search. You need your Medicare claim number, last name, date of birth, Medicare A or B effective date and Zip code.
 - Follow number 2 above after you find out the name of your Medicare drug plan.

This information is available in other forms to people with disabilities by contacting us at 651-431-2283 (voice), toll free at 1-800-938-3224, or through the Minnesota Relay Service at 1-800-627-3529 (TDD), 7-1-1 or 1-877-627-3848(speech-to-speech relay service).

What should I do if the pharmacy says I have to pay more than a \$5 copay, or that I have to pay a \$250 deductible for my drugs?

1. If you have any of the ID cards, letters or numbers listed above, give them to the pharmacy. Ask the pharmacy to call your Medicare drug plan to see if they can fix the problem.
2. If you don't have any of the things listed above and the pharmacy says you are not showing up on the computer system, ask the pharmacy to bill the Wellpoint Point of Sale system. This will allow you to get a 30-day supply of your drugs with \$1 to \$3 copays. There is more about the Wellpoint Point of Sale system below.
3. If the pharmacy cannot help you with 1 or 2, you have two options:
 - pay the amount the pharmacy says you owe. Call your Medicare drug plan to ask about getting a refund; or
 - If you cannot pay for your drugs and you leave the pharmacy without a supply, call the Linkage Line at (800) 333-2433. The Linkage Line will help you talk with your Medicare drug plan to get the problem fixed. If the Linkage Line is busy, leave a message with your name and phone number, and say that your case is urgent.

What if my Medicare prescription drug plan will not cover some of my drugs?

There are things you can do if your Medicare drug plan does not cover your drugs, or covers them at a higher cost than the \$1 to \$5 copay:

- Ask the pharmacy to call your doctor to see if there is a drug your Medicare plan will cover that can replace your current drug. All Medicare plans must have drugs available to treat all medical conditions.
- Your plan should have a way to get you your drugs on a temporary basis. Ask the pharmacy to call your Medicare plan to have your drugs covered through its transition policy. This will allow you to get your drugs covered for a time, while you work with your doctor and your plan to resolve the problem. If the plan says it will not give you at least a small supply, demand to know why.
- Request an exception from your plan. An exception means the plan agrees to pay for your current drug. Ask your doctor or pharmacist for help with requesting an exception, or call the Linkage Line at (800) 333-2433. If the plan refuses to give you an exception, you can appeal the plan's decision.
- You may want to look for a plan that covers all of the drugs you take. If you find one and switch to a new plan, coverage under that plan will start the month after you tell the plan you want to enroll. Call the Linkage Line at (800) 333-2433 for help choosing a new plan.

I signed up for a Medicare prescription drug plan or for Minnesota Senior Health Options (MSHO) or Minnesota Disability Health Options (MnDHO), but it doesn't start until next month. How do I get my drugs covered this month?

The name of the system that Medicare uses to cover people who are not enrolled in a Medicare plan is the "Wellpoint Point of Sale". It is for people who have both Medical Assistance and Medicare and do not have a Medicare prescription drug plan yet. Most pharmacies can use this to temporarily bill Medicare. The pharmacy should use the Wellpoint system for your Medicare drug coverage if you:

- Have been enrolled in a prescription drug plan by Medicare, but it hasn't started yet
- Have signed up for MSHO or MnDHO, but it hasn't started yet
- Have Medical Assistance and Medicare, but don't show up in the pharmacy computer system as having a Medicare drug plan
- Already have Medicare but just got Medical Assistance, and you have not signed up for a Medicare prescription drug plan yet, or
- Already have Medical Assistance but just got Medicare and you have not signed up for a Medicare prescription drug plan yet.

What if I still need help?

If you have to leave the pharmacy without the drugs you need, call the Linkage Line at (800) 333-2433. The Linkage Line can also help you pick a Medicare prescription drug plan that works for you:



OFFICE OF GOVERNOR TIM PAWLENTY
130 State Capitol ♦ Saint Paul, MN 55155 ♦ (651) 296-0001

NEWS RELEASE

FOR IMMEDIATE RELEASE:
February 14, 2006

Contact: Brian McClung
(651) 296-0001

PAWLENTY APPLIES FOR WAIVER TO CONTINUE COVERING MINNESOTANS IMPACTED BY FEDERAL MEDICARE PRESCRIPTION DRUG GLITCH

~ MN Department of Human Services to continue covering appropriate costs ~

St. Paul – Governor Tim Pawlenty today ordered the Minnesota Department of Human Services to apply for a waiver from the Federal Government extending the authority of the state to act as payer of last resort, covering the appropriate costs for prescription drugs for Minnesotans impacted by problems with the federal Medicare Part D prescription drug program. The federal government will then reimburse the state of Minnesota, retroactively covering the costs it has incurred. The original Emergency Executive Order, signed on January 14, 2006, is scheduled to expire at midnight this Friday. The waiver will allow continuation of the program until March 8, 2006.

On January 1, 2006, 6.4 million low-income U.S. seniors previously covered by Medicaid plans were transferred into the federal Medicare program for their prescription drug benefits and told they would not be charged the standard \$250 deductible or co-payments. Due to the problems incurred, a number of eligible seniors were asked to pay deductibles and co-payments they cannot afford and others have left pharmacies without their prescriptions.

“We appreciate the efforts of the Center for Medicare and Medicaid Services, as well as their willingness to assist us with federal funds,” Governor Pawlenty said. “We had hoped the federal government would resolve their problems by now, however we must continue to ensure Minnesotans who are affected receive immediate assistance.”

The Governor’s Office has been working with the U.S. Department of Health and Human Services on the issue for several days and has assured the office that they intend to approve the waiver in an expedited fashion.

The original order was signed by the Governor on January 14, and subsequently extended by the Executive Council on January 18. Since January 14, the state of Minnesota has paid for over 52,000 claims, covering the out-of-pocket prescription drug costs for low-income Minnesotans on Medicare whose costs should be covered under Part D, the new federal Medicare drug benefit.

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While the number of claims processed has gradually decreased, the state continues to cover between 3,000 and 4,000 claims per day.

The Governor will use authority granted under Minnesota Statutes 2005 3.3005 to submit a request to the members of the Legislative Advisory Commission to review this proposal. The Legislative Advisory Commission will convene on Friday, February 17, to review the request.

Who is affected by this action?

Low-income Minnesotans who have disabilities or are over 65 and receive both Medicare and Medical Assistance (MA), Minnesota's Medicaid program were covered by the Executive Order.

Because of Medicare computer system problems, many people in these two groups were required to pay more than they should for medications or are not listed in the correct drug plan. Before the start of Medicare Part D on January 1, their prescription drugs were covered by Medical Assistance or the Prescription Drug Program.

What should people who are affected do?

People who are enrolled in both Medicare and MA, or had been enrolled in PDP, should bring their state Minnesota Health Care Programs (MHCP) card and any other cards or documentation they have received about the Part D benefit to their pharmacy.

Will they have co-pays?

People will be charged the state co-pays, which they were previously paying. These are \$1 for generics and \$3 for non generics.

How will pharmacists be paid for these drugs?

Details for pharmacists explaining proper procedures are on the Department of Human Services provider Web site: www.dhs.state.mn.us. Pharmacists are being directed to bill Medicare and drug plans first.

Where can other people who are having problems with Medicare Part D coverage get help?

Anyone who needs assistance with the Medicare Part D benefit can receive free, impartial assistance through the Linkage Line (800) 333-2433. The Linkage Line is the State Health Insurance Assistance Program for Minnesota as designated by the federal Centers for Medicare and Medicaid Services. The line is open from 8 a.m. to 7 p.m. Monday through Friday, and from 8 a.m. to noon on Saturdays. Because of the high number of calls, staff are prioritizing calls and addressing the most urgent situations first.