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January 17, 1992

Report to the Legislature on the effect of the Nursing Home Moratorium

Minn. Stat. §144A.071 requires the Commissioner of Health, in consultation with the Commissioner of Human Services, to monitor and analyze the effect of the nursing home moratorium on different geographic areas of the state and to report on an annual basis to the legislature. Since 1985, the Legislature has prohibited the licensure of additional nursing home beds in order to control bed supply, foster the development of cost effective alternative services, and contain the growth in medical assistance (MA) costs.

This report contains information on the occupancy of nursing homes, by region, in Minnesota. This information is based on the most current data available. Included are projections of nursing home usage through the year 2010. These projections are based on population growth of the elderly and the availability of suitable alternatives to the use of nursing homes as a means of providing care.

Population growth is the most obvious factor that creates increasing demand for long-term care services generally. We are able to see a fairly clear picture of this demand over the next 20 years because all of the people who will need services during that time are now alive. The major conclusion to be drawn is that the number of people who need long-term care services, and governmental assistance to pay for them, will increase sharply. Containing cost increases while ensuring continued high quality levels will be very challenging.

The growth in older age groups is forcing changes and adaptation on the long-term care system in general. This growth makes it important to monitor the use of nursing homes because they are currently the major source of long-term care in Minnesota, and provide by far the largest share of services to Medical Assistance recipients. However, Minnesota's dependence on institutional long term care services may decrease in the future. In response to this population growth and the ever increasing demands on the Medical Assistance (MA) budget to pay for long term care services, the 1991 Legislature provided a generous increase in funding for the Alternative Care/Elderly Waiver [AC/EW] program and passed the Seniors Agenda for Independent Living [SAIL] legislation (Minn. Stat. §256B.0917). This legislation responds to the wishes of Minnesota's senior population by further developing alternatives to nursing homes throughout the state and initiates a new long term care strategy for the state.

Pursuant to MS 144A.071, subd 4

The effect of the availability of alternative services on nursing home use shows how different methods of providing long-term care might interact. The nursing home use rates are in part dependent on the use of alternative care services. Therefore, population growth alone will not be adequate to project nursing home bed demand. In particular, the validity of the assumptions we make about nursing home use depend in part on the policy targets we set for the development of alternative services.

The projections in the attached charts were developed prior to the passage of SAIL, and refer to a "natural decline" model. The natural decline refers to the observed decrease in the use rate of nursing homes by senior age groups in the period between 1983 and 1987. This "natural" trend has been built into the projections to take account of a myriad of factors -- notably including AC/EW -- that seem to indicate that seniors have been increasingly likely to choose options other than nursing homes.

Some of the charts and tables shown here (# 7, 8, & 9) provide regional geographic detail in assessing the current and projected impact of the moratorium in different areas, and, how nursing home use varies between regions. This kind of information will be useful for targeting policy efforts. A map identifying these regions is included.

The projections included here are based on the State Demographer's 1983 population projections which were in turn based on 1980 Census data. The recent availability of the 1990 census data will allow staff to rework the projections in the near future, but for comparisons between regions the data used here should be reasonably accurate.

As a practical matter, the demand for long-term care services will increase because of the increasing number of elderly people; however, the availability of more choices in types of long-term care will assist in managing the resources available for long-term care services. The recent passage of the SAIL legislation provides the necessary legislative leadership to expand the funding and availability of non-institutional long term care services. If SAIL is successful, the need for additional nursing home beds may be averted. Although it may eventually be necessary to authorize additional nursing home beds in specific areas of the state, it is not recommended that any change in the moratorium be enacted this session.

The Interagency Long-Term Care Planning Committee (INTERCOM) has formed an internal working group to examine the moratorium and another internal working group to monitor and evaluate the progress in SAIL. It is our intent to recommend some modifications to the moratorium; the scope of which is under development. These recommendations will be contained in the INTERCOM report to the Legislature in January 1993. Likewise, a report on SAIL and its impact on long-term care in the SAIL project regions will be reported to the legislature in January 1993.

TABLE: Projected Population Sizes Within Age Groups, 1990-2010

	Projected 1990	Projected 1995	Projected 2000	Projected 2005	Projected 2010
Less Than 65 Years	3,821,949	3,920,181	4,000,343	4,059,554	4,080,429
65-74 Years	295,963	300,985	292,396	297,653	343,253
75-84 Years	184,432	202,196	216,765	224,532	219,633
85+ Years	68,544	78,605	90,785	102,600	112,472
Total 65+ Years	548,939	581,786	599,946	624,785	675,358
TOTAL Population	4,370,888	4,501,967	4,600,289	4,684,339	4,755,787

SOURCE: Data was calculated based on the projections of the State Demographer, published 1983 using the 1980 census. Compiled by the Interagency Board for Quality Assurance, 1991. (INTERCOM, 1991)

TABLE: Historical and Projected Use Rates of Licensed Nursing Facilities by Population Group
(percentage of group in licensed facility)*

	Historically Observed Use Rates			Projected Use Rates	
	1984	1987	1989	2000	2010
65 - 74 years	2.0%	1.9%	1.9%	1.7%	1.6%
75 - 84 years	9.3%	8.5%	8.1%	7.3%	6.7%
85+ years	36.4%	35.1%	33.4%	30.3%	27.8%
Total 65+	8.4%	8.1%	7.8%	8.1%	7.6%

*Projected rates assume current policies and use patterns, including the total 65+ "natural decline" in use rates observed in the period 1984 - 1987.

TABLE : Projected Need for Nursing Home Beds by Age Group, Assuming a "Natural" Decline in Use Rates

	Projected 1990	Projected 1995	Projected 2000	Projected 2005	Projected 2010
Less Than 64 years	3948	4034	4096	4136	4133
65-74 years	5732	5576	5201	5076	5600
75-84 years	15550	16303	16725	16568	15513
85+ years	23903	26221	28975	31331	32865
TOTAL	49133	52134	54997	57111	58111

TABLE : Projected Costs of Nursing Home MA Program Based on a
 "Natural Decline" Model of Bed Need*

	Needed Beds Projection	MA program Cost Projection (Current dollars)		State Share Projected with 5% Inflation
		Total Gov't Cost	State Share	
Licensed beds 1987	49,673			
Projection 1990	49,134	\$536,759,042	\$225,814,529	—————
Projection 1995	52,135	\$565,411,484	\$237,868,611	\$305,204,630
Projection 2000	54,998	\$599,699,882	\$252,293,740	\$415,494,211
Projection 2005	57,110	\$622,884,457	\$262,047,491	\$552,696,634
Projection 2010	58,112	\$629,429,108	\$264,800,826	\$713,469,936

* This table includes some important assumptions in addition to those involved in the bed projection. Most notable, the only sources of increases in costs are due to higher operating costs for serving more residents and higher property costs through financing new, additional beds at the 1990 investment per bed limit. The percentage of MA clients is assumed constant at the 1990 rate.

ALTERNATIVE CARE AND MA NURSING HOME RECIPIENTS

STATE TOTAL (WITH ADJUSTED SCALE)

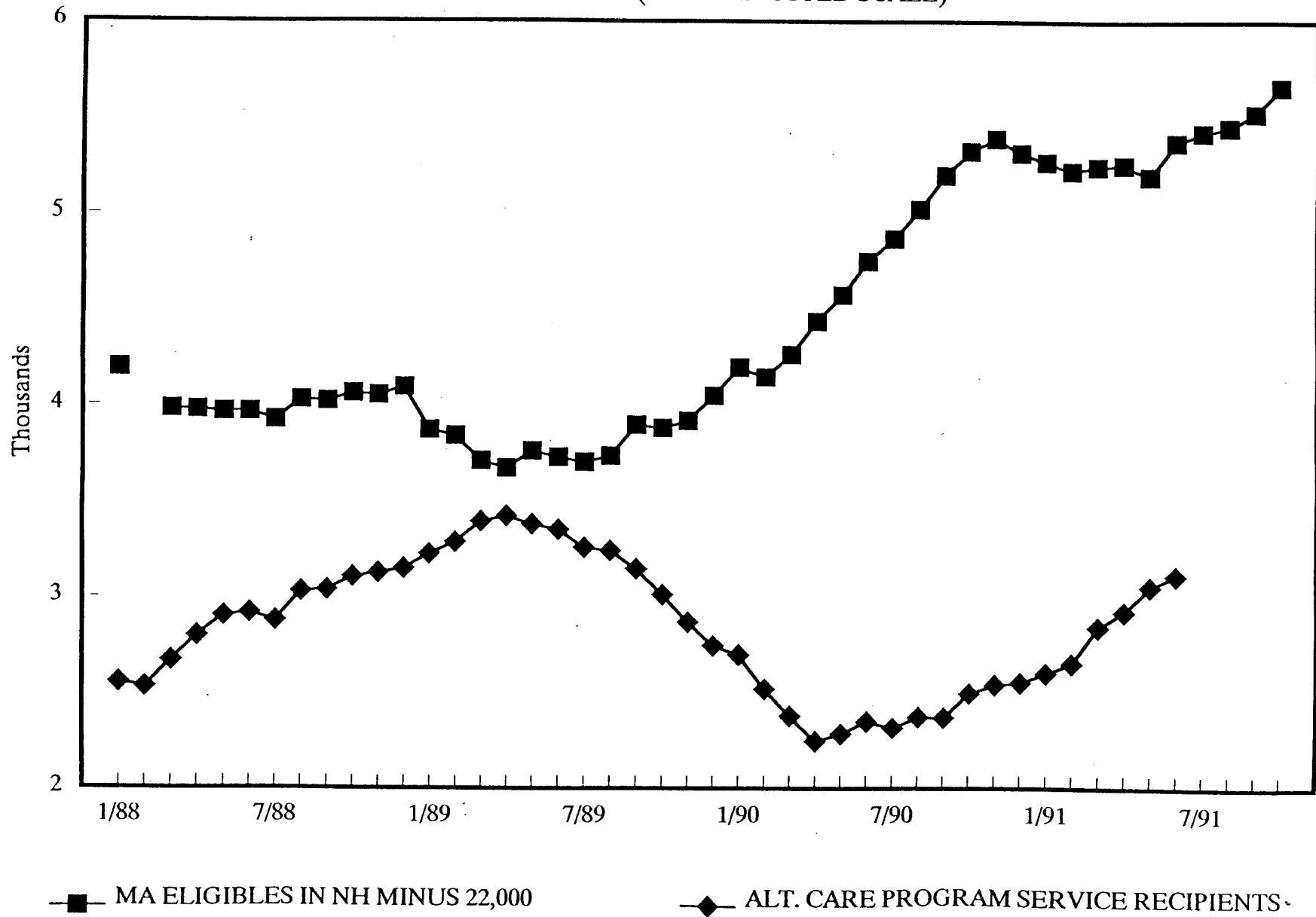


Chart V

Chart 1: Minnesota Economic Development Regions used for Regional Comparisons

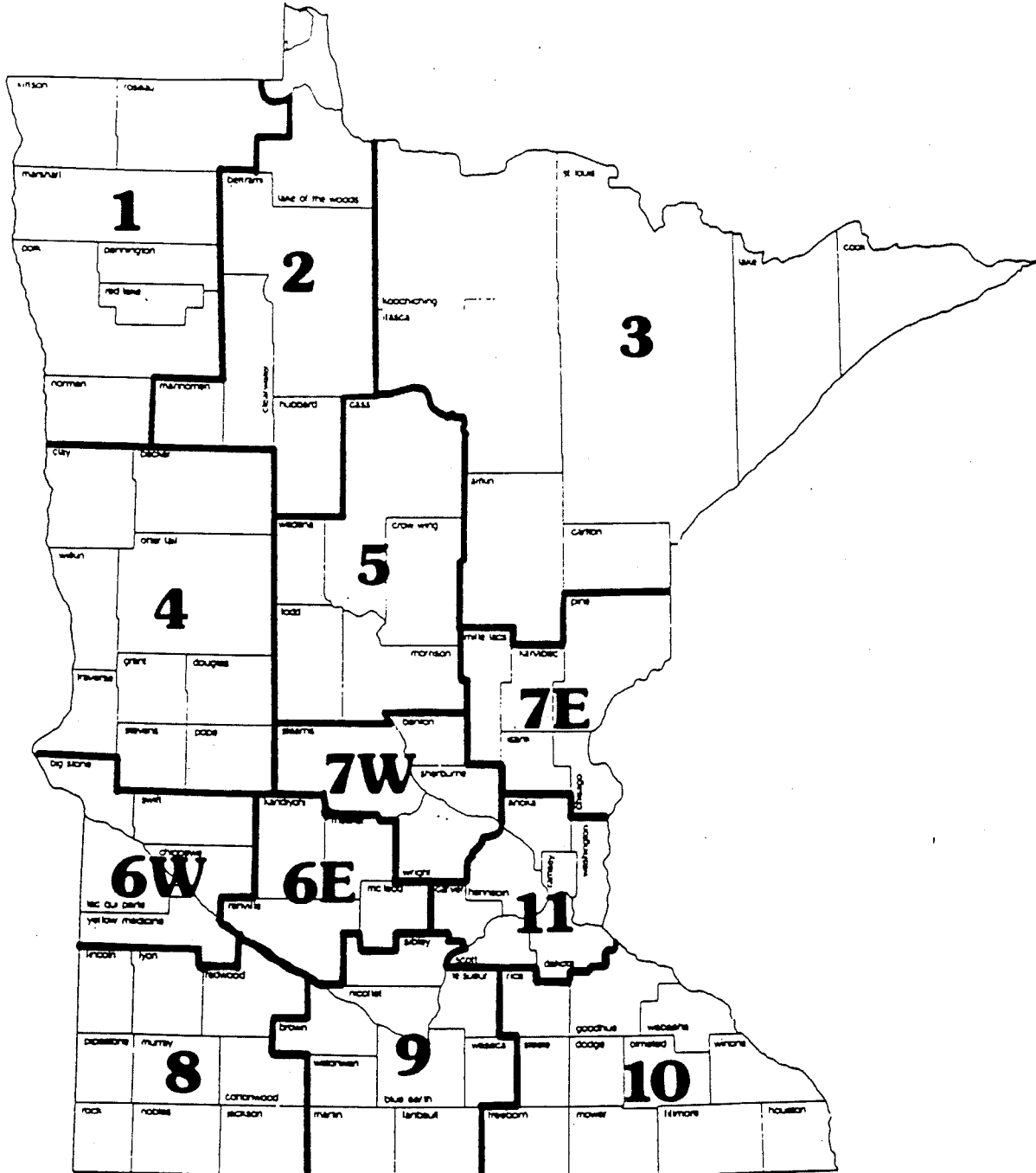


TABLE: Projected % Increases in the 85+ Population Group by Region

	Projected % Change in Group 1990-2000	Projected % Change in Group 2000-2010	Projected % Change in Group 1990-2010
Region 1	23.1%	9.8%	35.1%
Region 2	50.3	14.0	71.3
Region 3	53.6	16.3	78.8
Region 4	32.7	16.8	55.0
Region 5	50.5	22.6	84.5
Region 6E	30.2	17.5	53.0
Region 6W	19.3	10.4	31.6
Region 7E	42.0	21.4	72.5
Region 7W	41.7	31.1	85.7
Region 8	24.6	12.2	39.8
Region 9	26.5	13.3	43.3
Region 10	27.8	18.4	51.2
Region 11	29.1	33.9	72.9
STATE	32.4%	23.9%	64.1%

TABLE: Regional Long Term Care Profiles

	Population Projections				Formal LTC System				
	Projected 1990 Total	Projected 1990 85+ Yrs	% Change 1990 - 2000 Total	% Change 1990 - 2000 85+ Yrs.	Lic. Beds (1987)	Demand: % 65+ in NH (1989)	NH Occup (1987)	NH % Class A (1989)	% 65+ on ACG (1989)
Region 1	97,562	2,214	0.1%	23.1%	1,896	10.1%	90.4%	30.2%	.8%
Region 2	68,764	1,106	12.4%	50.3%	710	6.6%	89.0%	24.1%	.7%
Region 3	341,280	5,490	1.3%	53.6%	3,644	6.3%	92.0%	18.1%	.6%
Region 4	217,161	4,543	6.2%	32.7%	3,083	8.3%	95.7%	26.5%	.9%
Region 5	144,350	2,686	9.4%	50.5%	1,845	6.6%	94.1%	22.8%	.7%
Region 6E	114,872	2,349	5.8%	30.2%	1,572	8.0%	95.7%	27.2%	1.1%
Region 6W	58,450	1,659	(-2.7%)	19.3%	1,079	8.9%	96.6%	32.2%	.8%
Region 7E	122,633	1,819	21.8%	42.0%	1,335	7.8%	94.5%	25.7%	.8%
Region 7W	272,665	3,022	17.9%	41.7%	3,101	7.3%	97.3%	25.3%	1.1%
Region 8	134,358	3,343	(-2.0%)	24.6%	2,164	8.6%	97.3%	29.8%	.8%
Region 9	228,718	4,645	1.1%	26.5%	2,609	7.4%	95.1%	24.3%	.8%
Region 10	429,142	8,013	4.3%	27.8%	5,554	8.5%	93.9%	19.8%	.7%
Region 11	2,140,933	27,655	4.2%	29.1%	22,076	7.9%	91.0%	23.7%	.5%
STATE	4,370,888	68,544	5.2%	32.4%	49,673	7.8%	92.9%	24.0%	.7%

TABLE : Projected Need for Nursing Facility Beds at 95% Occupancy, by Region
Assuming Current Policies and a "Natural" Rate of Decline in Use Rates

	Current Licensed Beds	Projected 1990	Projected 1995	Projected 2000	Projected 2005	Projected 2010
REGION 1	1896	1516	1547	1555	1540	1468
REGION 2	710	828	902	955	971	969
REGION 3	3649	4272	4642	4939	4998	4838
REGION 4	3083	3055	3217	3375	3452	3378
REGION 5	1845	2004	2185	2369	2447	2421
REGION 6E	1572	1605	1691	1748	1792	1744
REGION 6W	1079	1059	1066	1064	1031	976
REGION 7E	1335	1297	1396	1512	1575	1645
REGION 7W	2101	2192	2381	2639	2832	3028
REGION 8	2164	2169	2223	2259	2237	2120
REGION 9	2609	3063	3195	3247	3273	3165
REGION 10	5554	5402	5645	5864	5994	5993
REGION 11	22076	20672	22043	23470	24965	26364
STATE	49673	49135	52135	54998	57110	58112