

Recently Passed Legislation to Reduce Barriers to Innovative LTC Product Ideas

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- Background on LTC financing and need for innovation – Fred
- Minnesota research identifying LTC needs – Nikki
- Legislation to reduce barriers for innovative LTC products & potential future revisions to consider – Fred

Background

- Options for financing long-term care needs:
 - **Savings**
 - Alzheimer's case can cost \$400 K +
 - **Public programs**
 - Likely less reliance going forward
 - **Insurance products**
 - Concerns with rate and financial volatility of many stand-alone products
 - Hybrid attached to permanent life or annuities can be pricey
 - Although the employer market is encouraging

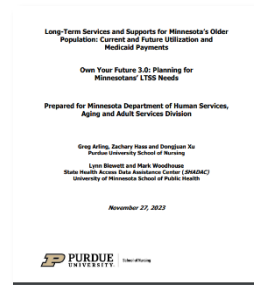
Need for LTC private market innovation

- Identified issue:
 - Need for middle-market LTC insurance product
 - Especially with possibility of less public program reliance going forward
 - Minnesota Own Your Future
 - Private / public partnership
 - Insurance Dept, Dept of Human Services, Providers, Insurers, others
 - Developed product concept with help of various experts
 - Marketing, actuarial, sales
 - Goals: affordability, stability, attractive to consumers

Own Your Future: recent reports & authors

Demographic Study

1. [Demographic, Social, and Economic Characteristics of the General Population of Minnesotans aged 65 and older](#)
-State Health Access Data Assistance Center (SHADAC)
2. [LTSS for Minnesota's Older Population: Current and Future Utilization and Medicaid Payments](#)
-Purdue University School of Nursing

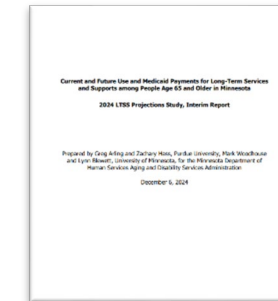
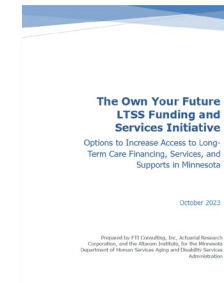


Transformative Study

3. [LTSS Funding and Services Initiative Study](#)
-FTI Consulting, Inc, Actuarial Research Corporation, and Altarum Institute

Expanded Demographic Study

4. [Current and Future Use and Medicaid Payments for Long-Term Services and Supports - Interim Report](#)
-Purdue University School of Nursing



Key findings

- Two-thirds of older Minnesotans (age 65+) fall into the “red box,” which means they are middle income and have an annual family income ranging from \$25,000 to \$125,000
- Those that fall in the “red box” do not qualify for many programs that could assist with financing their long-term services and supports (LTSS) needs
- By 2035, the number of older Minnesotans is projected to increase, especially those age 85+
- If nothing changes, this increase in older adults will dramatically increase the cost of Medicaid LTSS for older Minnesotans

Key findings: generalized LTSS financing sources

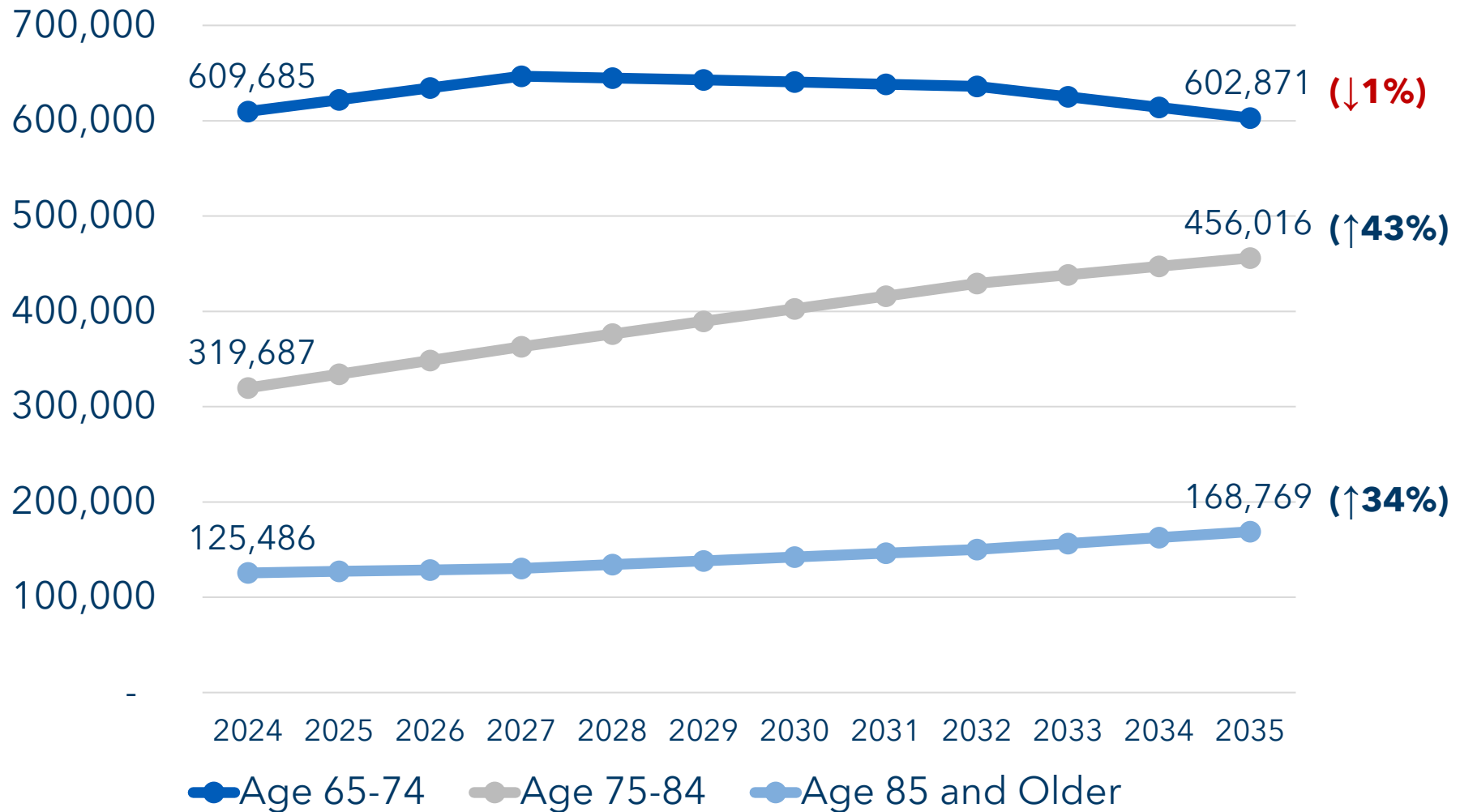
Generalized sources of LTSS coverage in Minnesota, by Family Income 65+

Family Income	Percent of Age 65+ Pop	Medicaid Programs	Alternative Care	OAA*	Out-Of-Pocket	Private Insurance
<\$10,000	5%	X				
\$10,000-24,999	20%	X	X	X		
\$25,000-49,999	25%	X	X	X	X	
\$50,000-74,999	19%		X	X	X	
\$75,000-99,999	11%			X	X	
\$100,000-\$124,999	8%				X	X
\$125,000-\$149,999	3%				X	X
>=\$150,000	9%				X	X

- Approximately 2/3s of older Minnesotans are middle income (\$25-\$125K annual income)
- While there are programs that help some (MA waivers and OAA), for the most part their LTSS needs are underserved

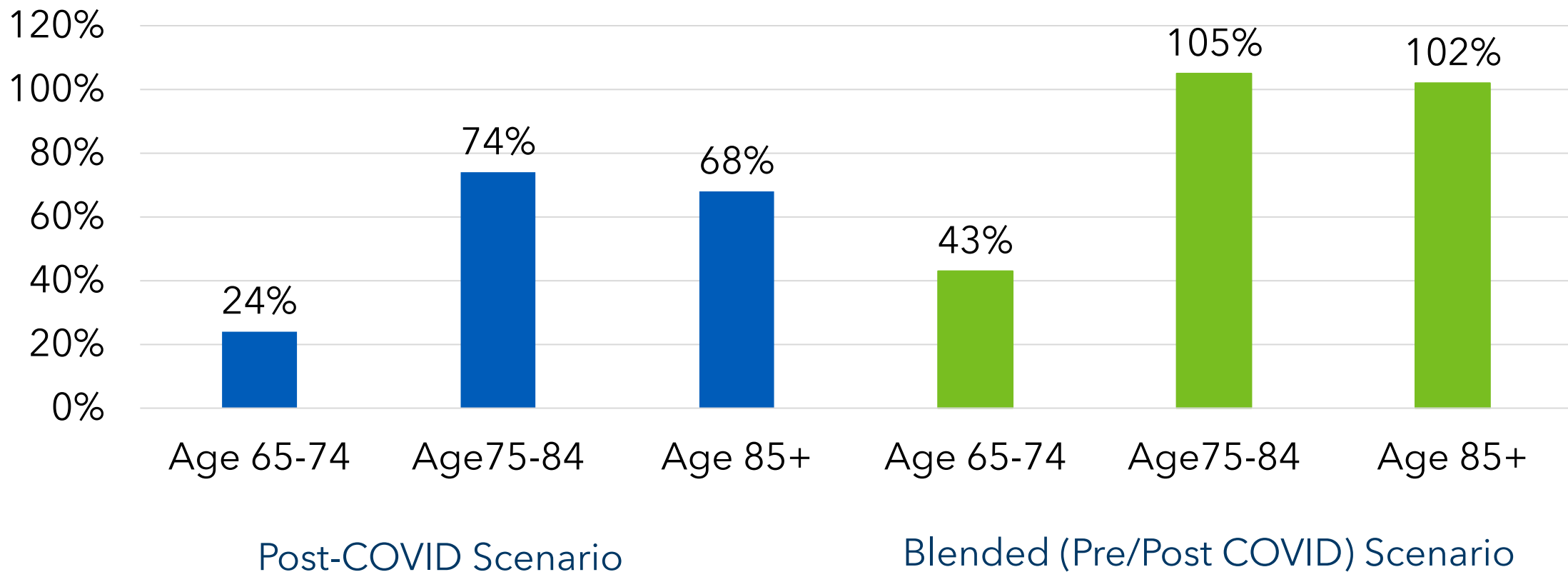
*OAA = Programs and services funded through Older Americans Act

Projected Minnesota older population by age



Projected change in Medicaid LTSS payments by age

% Change in Medicaid LTSS Payments by Age 2025 to 2035



LifeStage

- Term life in early product years
- Transition to LTC benefits in later product years
- **Affordability:**
 - Purchase at popular term life ages (35-45) -> earlier funding of LTC vs. with other products
 - Earlier funding means lower price
- **Stability:**
 - Lesson learned from standalone and combo aspect leads to more rate stability
- **Attractiveness of product:**
 - Start taking care of LTC needs at low price while addressing immediate term life need

Innovative LTC product / approval considerations

- LifeStage approval consideration
 - Question came from LTC benefit not starting right away
 - Initial concept: transition from life product to LTC product at age 65
 - But pre-fund LTC benefit before then
 - Later concept: work around, e.g., eligible for 10-20% LTC benefit before age 65
 - LifeStage was probably approvable under existing statute
 - However, to provide clarity to insurers that a product to be developed would be approvable...
 - MN created statute language to ensure approvability

Statute language for LTC innovation

- MN Statutes Section 61A.02 amendment

Subd. 7. Regulatory flexibility.

(a) Notwithstanding any provision of this section, the commissioner may authorize certain long-term care coverage to be sold as part of or in conjunction with a life insurance product, where that type of product:

(1) is not already permitted;

(2) represents an innovative and reasonable approach to provide both life insurance and long-term care protection;

(3) provides reasonable coverage; and

(4) is in the best interest of insureds.

(b) The insurer filing the product must demonstrate that the proposed new policy satisfies the criteria in paragraph (a), clauses (1) to (4).

Future Innovative LTC product / approval considerations

- Perhaps allow flexibility beyond just LTC / life insurance combinations
- Consider pros and cons of:
 - Adding clarity on what is LTC, limited LTC, LTC rider, chronic illness riders, etc.
 - Enabling a coordination of benefits approach between policies and public programs
 - Such as WA cares, paid family medical leave'
 - Allowing a pre-claim benefit based on, e.g., 5-10% of the benefit pool with a cap
 - For pre-claim supports such as:
 - Home modifications, informal caregiver training, other prevention
 - Expanding those eligible to sell LTC
- NAIC models 640 & 641 contain these standards
 - **Form an informal group to create a list of pros and cons to potential changes?**