



Substantial Increase is Projected for Future Use and Costs of Medicaid Long-Term Services and Supports for Older Minnesotans: 2025 - 2039

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According to a new study, significant growth in Minnesota's older population will drive substantial increases in use and cost of Medicaid Long-Term Services and Supports (LTSS) over the next 15 years. The average annual number of older Minnesotans using LTSS is projected to increase by up to 39% and annual Medicaid costs are projected to increase by up to 185% between 2025 and 2039.

The study forecasts the future need for LTSS and Medicaid costs of that care beginning in 2025 and extending through 2039. The study bases its projections on simulations that account for age, gender, and care needs of current and future users of Medicaid LTSS in nursing homes, assisted living facilities, and their own homes.² Growth in Medicaid LTSS use and costs will be driven by a steadily increasing number of older Minnesotans, rising costs of providing services, and the ongoing impact of the COVID-19 pandemic.

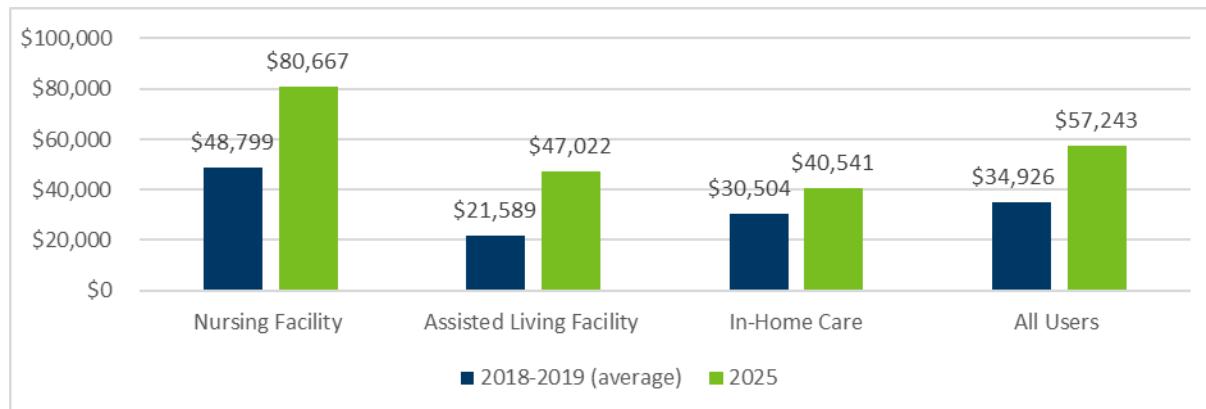
The number of Minnesotans age 75-84 and 85 and older will steadily rise

The primary contributor to these projected increases in LTSS services and costs is steady growth in the older population, especially those age 85 and older. The number age 75-84 is projected to increase by 40% and the number 85 and older is projected to increase by 52%.

Services are expensive and will continue to be

The disruptions caused by the COVID-19 pandemic contributed to a large increase in per user Medicaid LTSS costs. The estimated cost per user of Medicaid LTSS rose by 39% between 2018-2019 and 2025. Nursing home costs rose by 40%, assisted living by 54%, and in-home care by 25%.³ The shortage of health care workers, especially paraprofessional caregivers, will likely continue. Higher wages and benefits will be required to attract and retain these caregivers in the future.⁴

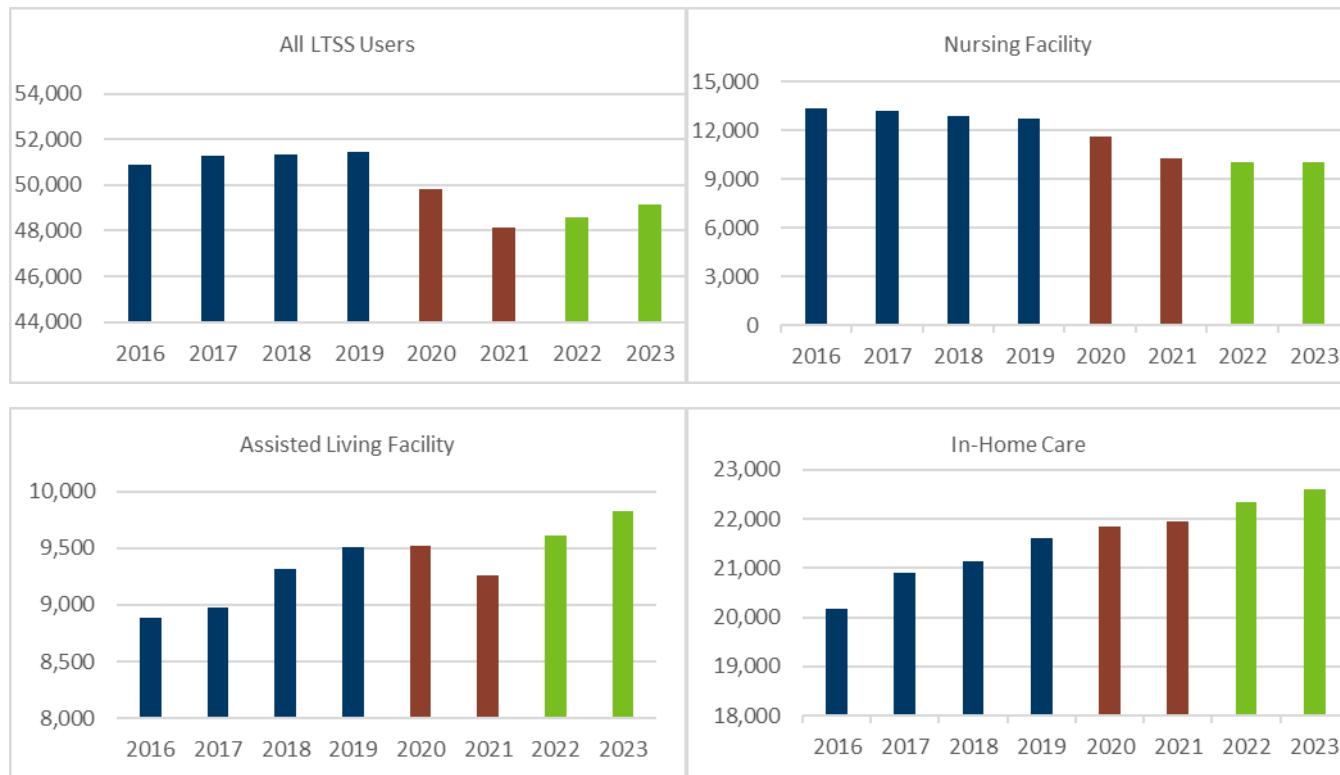
Figure 1. Annual LTSS Medicaid costs per user by LTSS setting (2018 – 2025)⁵



The COVID-19 pandemic impacted Medicaid LTSS use particularly in nursing homes

The COVID-19 pandemic in 2020-2021 had a major effect on use of Medicaid LTSS. The downward trend in nursing home use, which began before the pandemic, was accelerated by the pandemic. In contrast, users of LTSS in the home setting displayed continued growth despite the pandemic. The steady increase in LTSS users in assisted living facilities was interrupted by the pandemic but then continued in the post-COVID period.

Figure 2. Number of monthly Medicaid LTSS users by type of LTSS in pre-COVID (2016-2019), COVID (2020-2021), and post-COVID (2022-June 2023) periods.



Three different scenarios addressed uncertainty about future LTSS use and costs

Because of uncertainties about the lasting impact of the COVID-19 pandemic on LTSS, particularly nursing home use, projections for three different scenarios for future LTSS use were employed.

- **Continuation of Post-COVID Patterns:** This scenario assumes a continuation of patterns of LTSS use observed after the end of the COVID-19 pandemic. The post-COVID patterns for all types of LTSS, including nursing homes, remain the same over the next 15 years.
- **Return to Higher Pre-COVID Nursing Home Use:** This scenario begins with patterns of LTSS use during the post-COVID period, but then they steadily return to pre-COVID patterns. In this scenario, the pattern of nursing home use returns to its higher pre-COVID level.
- **Shift from Nursing Home to In-Home Care:** In this scenario, nursing home use steadily declines in line with historical trends, while assisted living and in-home services steadily substitute for nursing home care.

All three scenarios assume an annual 5% growth in per-person LTSS costs which is in line with historical trends.

In each scenario Medicaid LTSS costs are projected to grow substantially by 2035-2039

The scenario with a return to pre-COVID patterns had the highest projected growth in total Medicaid LTSS use (39%) and costs (185%) between baseline (2025) and the midpoint of the 2035-2039 period. This growth was driven largely by growth in nursing home use (69%) and costs (204%). In contrast, a shift away from nursing home use toward less costly care results in the lowest projected growth in total LTSS use (31%) and costs (142%). Although nursing home use is projected to grow by 14%, costs are projected to grow by 111%. Nursing home cost growth in all scenarios will be driven by increases in the very old who are in greatest need of LTSS.

Figure 3. Percentage change in monthly LTSS users between 2025 (baseline) and 2035-2039 by care setting and scenario

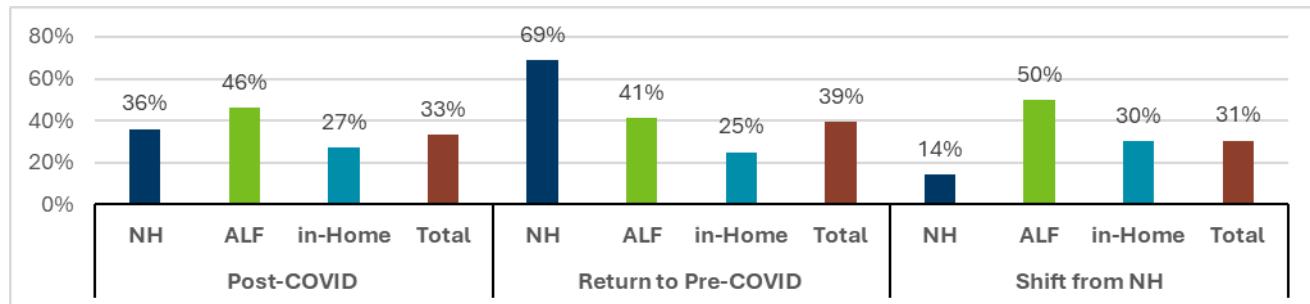
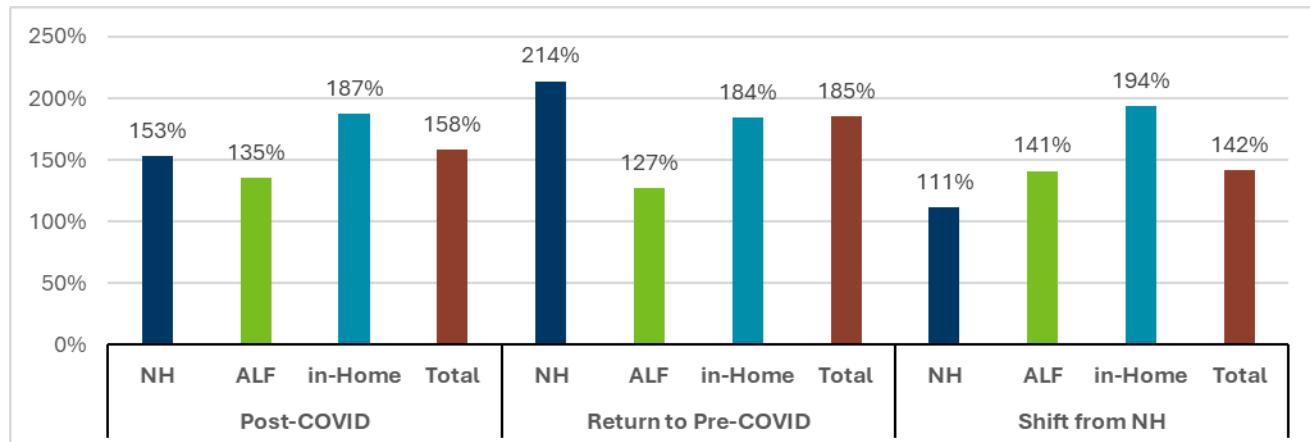


Figure 4. Percentage change in annual Medicaid costs between 2025 (baseline) and 2035-2039 by care setting and scenario



Meeting the future LTSS needs of older Minnesotans

Regardless of the scenario, cost projections indicate that Medicaid spending will need to grow 6.5–7.7% annually to fully cover projected future demand and provide the current level of access to services through 2035-2039. Even with increasing demand for LTSS, older Minnesotans will spend most of their lives free of significant disability. At any point in time only about 5–6% of the older population is projected to use Medicaid LTSS even under the highest projections. Nonetheless, it will be a challenge to provide LTSS to those in need, many of whom will be older women. The family and other informal sources of support will need to continue to play an essential role in caregiving. However, the family cannot do it alone. Many older people, especially those at very advanced age and in greatest need for care, will be without living children or other relatives. The private cost of LTSS will continue to be a challenge. Many middle-income, older people are at risk of losing their savings in an attempt to meet their LTSS needs. Another serious challenge is ensuring LTSS access and quality through a well-organized and financially viable network of care providers combined with skilled, well-trained, and adequately compensated caregivers.

Footnotes

¹ John O’Leary, Nikki M. Peterson, and members of the DHS staff made helpful comments for this and other reports from the study. However, the opinions expressed and any errors or omission are solely those of the authors.

² The *nursing facility* category includes people age 65 and older who are Medicaid enrolled and residing in one of the 370 certified nursing facilities in Minnesota. The *assisted living facility* category includes Medicaid enrollees with Customized Living in a residential facility through the Medicaid Elderly Waiver program. The *in-home* service category includes Medicaid enrollees using in-home and community LTSS (excluding Customized Living) through Medicaid Elderly Waiver or Alternative Care Waiver programs, or those enrolled in Medicaid who received care from a Personal Care Assistant and more recently through the Community-First Services and Supports program. Medicaid in-home, also called home and community-based services, include adult day services, hospice, home health, access services, case management, home provided meals, homemaker, chore, respite and personal care.

³ Per-person annual Medicaid costs from 2018 through 2022 were based on costs recorded for individual enrollee in the MMIS Medicaid claims. These figures are NOT directly comparable to the DHS Medicaid Budget projections because they apply only to Medicaid LTSS users age 65 and older and they apply different methods in categorizing Medicaid LTSS programs and costs.

⁴ Spetz, J., Trupin, L., Bates, T., & Coffman, J. M. (2015). Future demand for long-term care workers will be influenced by demographic and utilization changes. *Health Affairs*, 34(6), 936-945. Mueller, C. A., Alexander, G. L., Ersek, M., Ferrell, B. R., Rantz, M. J., & Travers, J. L. (2023). Calling all nurses—Now is the time to take action on improving the quality of care in nursing homes. *Nursing outlook*, 71(1), 101897.

⁵ Note: figures represent costs to the Medicaid program during the months over the year when the individual was using LTSS in each setting. Figures for 2018-2019 are averaged across years. Costs for 2023-2025 are estimated.