MN JOURNAL

Expanding the Civic Imagination

Citizens League
Common ground. Common good.

MINNESOTA JOURNAL
Volume 28 • Issue 5
September/October 2011
www.citizensleague.org

INSIDE

Connections 2

Get Involved 3

Viewpoint: Redefining the neighborhood 4

Facts Unfiltered: The silver tsunami 5

Platitudes, personal responsibility, and long-term care 6

Age-wave solutions for Minnesota. 9

Honoring our end-of-life choices 10

Capitalize on tax time's "money moment" to promote saving............... 13

Minnesota's planning for retirement—yours

With an aging population and tightening state budgets, the state faces a critical challenge

By Lucinda E. Jesson

Minnesotans should be gratified by a recent study jointly released by AARP's Public Policy Institute, the Commonwealth Fund and the SCAN Foundation which ranked our state first in the nation in the delivery of long-term care services for the elderly and people with disabilities. Gratified, but not satisfied. With an aging population and increasingly tight budgets, meeting the long-term care needs of Minnesota's baby boomers in the future is one of the most critical challenges Minnesota faces.

Key to that issue is how we shape our approach to home- and community-based services. While many aging Minnesotans will need relatively simple help from our public programs, such as a home-delivered meal or occasional chore service, others will require more extensive care. That care must be available to those in need. It should be of the quality we each want for ourselves and our families. And, as a state, we need to plan for how to pay for that care. Our success depends on every Minnesota family planning as well.

As commissioner of Minnesota's Department of Human Services (DHS) the importance of this issue is clear to me. DHS is already taking steps to plan for Minnesota's future and many of those steps are related to the recommendations in the Citizens League report "Moving beyond Medicaid."

> But because of poor lifetime savings rates and a decline in the number of family members able to provide care, the number of elderly turning to publicly funded long-term care by 2030 could overwhelm any state budget.

DEMOGRAPHIC AND ECONOMIC DRIVERS

This year, the first of the baby boomers turn age 65. By 2030, some165,000 Minnesotans will be age 85 or older; about half will need long-term care of some type. But because of poor lifetime savings rates and a decline in the number of family members able to provide care, the number of elderly turning to publicly funded long-term care by 2030 could overwhelm any state budget.

For 20 years DHS has been tracking the amount of care that families provide. Unpaid family caregivers (primarily wives and daughters but an increasing number of husbands and sons) currently provide 92 percent of the care needed. While still very high, that number has been declining gradually; it was 97 percent in 1989. This means that more elderly and their families are using "formal" services to supplement what the family can do. Family placement of relatives in assisted living, and the resulting rapid growth in this market, illustrates this trend. The biggest factor in this decline in family caregiving is the increase in female labor force participation, now at 69 percent. Taken together with the trend toward smaller families, this suggests that the availability of family members to provide care to older relatives will decline further.

continued on page 11

CONNECTIONS

Building a League of Citizens

MEMBER SPOTLIGHT

Lance Hegland

Lance Hegland is a consultant at PRECISA and is the founder and director of IndependencePartners. He's been involved with the Citizens League for more than a year. He has participated with the Health and Medical Advancement Group and volunteered at Policy and a Pint©.

I'm passionate about finding efficient and healthy ways to identify, develop and sustain common ground. Plus, I love opportunities to leverage that common ground to encourage, empower and sustain common good. I think I'm a "policy influencer" by keeping informed on issues impacting our communities. I try to let [legislators] know what I think about a particular policy proposal, but I also try to offer my assistance in any way possible to support them in their activities as I try to take a more engaged and proactive approach to citizenship.

The Citizens League offers the opportunity to develop community with like-minded folks while you work to understand, proactively weigh in, and contribute potential solutions to many of the major issues facing our society today.

Athena Adkins

Athena Adkins is an independent consultant and has been involved with the Citizens League for the last three years. She currently serves as co-chair of the Policy Advisory Committee.

I joined the Citizens League because, like many others, I couldn't stand the political rhetoric thrown at me, the political divisions I saw in government, in media and in neighborhoods. I found myself always wondering if I was truly hearing facts or just taglines. I wanted to engage in rich discussions with knowledgeable people about the challenges our democracy faces without fear of losing friendships, business colleagues or being labeled. I learned about the Citizens League through my friend and here I found curious, thoughtful and intelligent people who understood and embraced the idea that how they got to answers was as important as the recommendations they produced.

Time and again, I see the Citizens League engage people across the political, economic and social strata—encouraging dialogue and problem solving. The Citizens League has reminded me that there is no other, just us, and given authentic opportunities, we can come together and imagine creative solutions to some of our most intractable challenges.

Introductions

The Citizens League would like to welcome Larry Schumacher, our new communications manager, and fall intern, Daniel Negron, who will be part of our electrical energy project. Check out their bios and drop them a line to say hello at www.citizensleague.org/who/staff.

Larry Schumacher

Thank you to our newest sustaining members!

Sustaining members schedule regular monthly or quarterly payments of any amount, or automatic annual donations. Become a sustaining member today at http://www.razoo.com/story/Citizens-League.

Kelly Groehler and Matthew Olson

New and rejoining members and contributing organizations

Individual members

Don Allen
Jan Alswager
Craig Anderson
Nancy Barrett
Kai Bjerkness
Katy Brandt
Todd Butcher
Jane Callahan
Mark Callahan
Jean Christensen
Teri Christensen
Andy Cook
William Crum
Tane Danger
Becky DaWald
Ed Day
Al DeBoer
Chaz Fautch
Bruce Fisher
Charles Graham
Missy Graner
Robert Grill
Kelly Groehler
Jennifer Hellman
Thad Hellman
Greg Herder
Bernice Hillukka
Yvonne Hundshamer
Marah Jacobson-Schulte
Matt Johnson
Jenna Kunkel
Leisa Luis-Grill
Sandy McDonald
Rebecca Noecker
Shane Noecker
Mike Oase
Matthew Olson
Ray Phelps-Bowman
Laura Phillipe Larson
Laurie Roy
Rick Roy
Peter Scholtes
Eric Scholtz
Jill Scholtz
Vincent Short
Alec Smith
Jennifer Song
Chris Stewart
Tyra Wahman
Kevin Walker
Rachel Walker
Barbara Wallace
Don Wallace
Jenny Woods Scholtes

Business Contributions

Association of Metropolitan School Districts
CenterPoint Energy
District Energy St. Paul, Inc.
HealthPartners
Inver Hills Community College
Itasca Consulting Group, Inc.
Izaak Walton League
Kowalski's Market
League of Minnesota Cities
Mayo Clinic
Medica
Metropolitan State University
MINCEP Epilepsy Care
Minnesota Department of Transportation
Minnesota Private College Council
Presbyterian Homes and Services
Saint Paul Area Chamber of Commerce
Three Rivers Park District
University of Minnesota, Rochester
Xcel Energy

GET INVOLVED

What We're Doing and How You Can Get Involved

Advance the use of Common Ground Principles

Following the June 15 release of the report Principles for Citizen and Government Collaboration in Public Decision Making, the Citizens League is forming an advancement group to determine the next steps to help transform decision-making processes to benefit citizens and government officials. The four Common Ground Principles are:

- Everyone "steps back" to ensure that all who have a stake are represented in the process.
- Ensure that all who have a stake are heard from at an authentic point in the process.
- Use an inclusive, interactive process that gives everyone the tools to understand the bigger picture and the trade-offs involved.
- Expect citizens to be problem solvers, not complainers, and set up processes that put forth that expectation.

For more information or to read the full report, go to http://bit.ly/m4PQLm.

Contact us if you would like to participate in this group.

Host a Pathways to Prosperity workshop at your workplace

The Citizens League's organizational members—business, nonprofits and public institutions—provide us with an important source of income and serve as a vital resource for new members and policy input. Policy happens everywhere–and affects all Minnesotans. Our organizational members include Fortune 500 companies, small professional services firms, nonprofit arts organizations, city and county governments and others.

If your company or organization is already a member, take advantage of some added benefits:

- **Lunchtime policy sessions at your workplace**
- **A customizable civic leadership training program, tailored to your employee needs and offered onsite**
- **Consultation and involvement in policy projects**
- **Complimentary individual memberships for employees**

Schedule an interactive, hour-long lunchtime presentation on our Pathways to Prosperity project for your employees, colleagues and clients. This presentation draws from our three-year project to develop a new framework for public policies that react to poverty. This new framework searches for policies that support prosperity more directly than our current policies. Interact with co-workers as you learn about systemic problems, and discuss your values and attitudes towards new approaches to support prosperity.

Become a sustaining member

Make a difference for the Citizens League and keep your membership going! Sustaining members schedule regular monthly or quarterly payments of any amount, or automatic annual donations. As a sustaining member, you will save the Citizens League postage and processing time and ensure that a larger percentage of your donation goes toward accomplishing our mission.

Become a sustaining member today at http://www.razoo.com/story/Citizens-League or by calling Cat Beltmann at 651-293-0575 ext 15.

The Citizens League is turning 60, and you're invited!

Our 60th anniversary is upon us, and we need your help to make it great!

We're looking for Citizens League members to help bring to life the plan the Anniversary Steering Team put together. We have three main goals for this coming year:

- Celebrate and showcase the Citizens League's success.
- Elevate the visibility of the Citizens League.
- Increase resources to support the Citizens League.

That means opportunities for members to participate in recruitment, events, media outreach, education, partnerships, campaigns and more. Contact the office for more information or to get involved.

The Citizens League is a multi-partisan, member-based organization working to build civic imagination and capacity in Minnesota. The Citizens League's approach to policy—civic policymaking—results in the civic policy agenda, our case for action that is based on the belief that all people and organizations play essential roles in developing the ideas, skills and resources to govern for the common good. Visit www.citizensleague.org/who/identity to find out more.

To get involved or find out more about these or any of our projects, contact Annie Levenson-Falk at alevensonfalk@citizensleague.org or 651-293-0575 ext. 16.

Learn more information about all of our work at www.citizensleague.org.

VIEWPOINT

Voices In My Head

Won't you be our neighbor!

The ghosts of civics past, present and future

by Sean Kershaw

In his book, *That Used to be Us*, Thomas Friedman talks about growing up in St. Louis Park, Minn. "…it surely had a big impact on us. … It bred a deep optimism about America and the notion that we really can act collectively for the common good. … You wound up with a deep conviction that politics really can work and that there is a viable political center in American life."

"No matter where I go…I'm always looking to rediscover that land of ten thousand lakes where politics actually worked to make people's lives better, not pull them apart. That used to be us. *In fact, it used to be my neighborhood*." (Emphasis added.)

CIVICS PAST

My recent trip to Omaha, Neb. for my 25th high school reunion made me think about Friedman's words and just how right he is; the places where we grow up and spend time shape our perceptions of public life and our role in it. These "neighborhoods" influence our public imagination and civic capacity.

Going home also reminded me how much my family and my high school friends positively influenced my perception of politics, policy, and public life generally.

My high school "neighborhood" was diverse by every imaginable criterion, yet somehow almost without cliques. I spent more time talking to some people at the reunion than throughout all of high school, and I connected with long-time friends as if we'd seen each other just yesterday. Our common identity as classmates was big enough to include everyone, trumping all of our various and potentially conflicting tribal identities.

My family "neighborhood" was marked by significant differences in political and religious ideology. I had to argue and talk my way out of the closet, into political life, and through almost every policy issue imaginable.

But talking over breakfast with my oldest brother and his family during this trip reminded me that much of my optimism about civic life came from these family experiences. Our sometimes contentious discussions ultimately drew us closer together and produced some surprising common ground, new understandings and a shared identity.

CIVICS PRESENT

Another of Friedman's childhood neighbors, political scientist Norman Ornstein, recently spoke at the Westminster Town Hall forum about our crisis in governance, describing our political culture and political leadership in strikingly negative terms. He had good reason. Nothing works like it used to. Nothing seems to work at all. The nature of our national political discourse has become depressing and debilitating, and there often seems little we can do to impact the issues we care about. Is Friedman's cherished neighborhood gone forever—a ghost of civics past? Why even enter the conversation?

Because we must—and we can. Our economy and the health of our democracy now and in the next generation depend on it.

The July/August issue of the *Minnesota Journal* described the ways that our civic policy agenda offers a new approach to policymaking, one that we believe will work better in all of our neighborhoods. It assumes that all individuals and institutions have a role in policy and governing, and it deliberately works to build this capacity generally as it addresses particular problems and opportunities.

Our long-term care financing recommendations are an example of this new model at work. Rather than expecting the legislature to take heroic action to solve the looming crisis, funding long-term care for Minnesota's aging population will require that a number of institutions and all Minnesotans play a role, from reforming Medicaid regulations to creating incentives to encourage saving. It is public policy designed for the places where we *really* live and work.

CIVICS FUTURE

So how do we begin to reclaim our neighborhoods, our political discourse and our governing systems? Where can we go to connect with others, to discuss the issues that are important to our state and our future in productive ways, and to begin to create a better tomorrow?

Friedman was right, it is time to rediscover—and redefine—our neighborhoods. Not (just) the nostalgic, geographically-based neighborhoods of our past, but the neighborhoods where we live today; where we collect and congregate across our differences, at work, at worship, in school, with families, over the back fence and over the internet.

Our recent Common Cents budget project created dozens of conversations in all types of settings: communities, schools, and workplaces. Almost to a participant, people left those conversations more concerned about our fiscal health—and yet more hopeful. After talking and negotiating with their neighbors, they saw a role for themselves, and a reason for optimism: common sense solutions are possible and discourse across our differences can be hopeful.

CELEBRATE YOUR NEIGHBORHOOD

Our upcoming Civic Celebration on November 9th offers a way for you to meet your neighbors. We will highlight the work that our members and partners are doing in their neighborhoods to expand the civic imagination and to develop the capacity to act on their imaginings.

Please join us. As a "neighborhood" the Citizens League needs your involvement, too. Won't you help build our neighborhood? ●

Sean Kershaw is the Citizens League's executive director. He can be reached at skershaw@citizensleague.org, @seankershaw (Twitter), Facebook, or his blog at citizensleague.org/blogs/sean/.

FACTS UNFILTERED

Bracing for the "silver tsunami"

By Andi Egbert

What is the so-called "silver tsunami?"

The term refers to a huge demographic shift taking place around the world and here in Minnesota, the aging of the baby boom generation—those born between 1945 and 1964. The aging of this huge population cohort will have a profound effect on our state, and create both challenges and opportunities for Minnesotans now and for decades to come.

In 2009 Minnesota was home to around 671,000 residents age 65 and over, about 13 percent of the state's population. That number is expected to double by 2030—in less than 20 years, creating challenges with regard to the state's workforce, health-care system, civic engagement, and many other things we can only speculate about now.

Does the aging boom look the same all over Minnesota?

No. Some regions have higher percentages of aging adults. The lowest percentage of those age 65 and older is in the metro (around 11 percent). The state's western counties have the highest percentage; older adults make up just under 18 percent of the population in the north, west central and southwest regions now. Fast forward to 2030 and at least 1 in 5 people in most communities will be older adults.

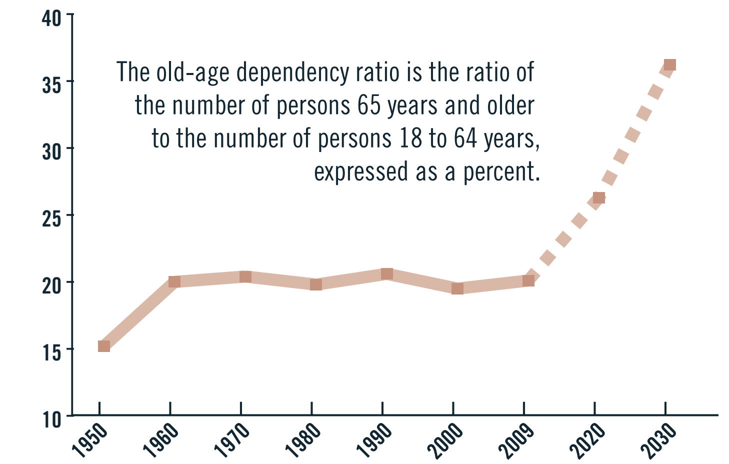
Aging also does not look the same for different racial and ethnic groups. While Minnesota's population is mostly white, the state's population is increasingly diverse and Minnesota has a burgeoning immigrant population. When you look at all the age groups stacked atop each other (a "population pyramid"), you can see that the white population represents a larger share of older Minnesotans, while younger generations, (Gen X, Gen Y, and their children) include many more people of color.

What are some implications of this demographic shift?

Aging boomers will have some obvious impacts on Minnesota's economic vitality. One area of concern is the shifting old-age dependency ratio, a mathematical expression of how many "typical" working-age adults (18-64) there are for each adult age 65 and over. Today, there are five working-age adults for every Minnesota resident age 65 or older. In 2030, that ratio declines to about 3-1.

On the flip side, more Minnesotans are currently unemployed than in the past. As the population ages and retires, demographers actually anticipate a workforce shortage over the next 20 years. Because of this, we have an imperative to invest in up-and-coming workers, many of whom are struggling even to graduate from high school on time, much less secure the higher-order skills required for the emerging economy. We will need to find ways to close the racial and ethnic gaps in early childhood and k-12 education to shore up our future workforce, leaders and citizens of tomorrow.

Old-age dependency ratio



Source: Minnesota Compass

Like the U.S., our state's population is aging. Between 2010 and 2030, the number of Minnesotans age 65 and older will nearly double. After 2030, the age surge will be largely over. By then the economy and society will be fundamentally altered. For more information on Minnesota's population makeup, visit www.mncompass.org and click on demographics.

Another concern is the relationship between aging and increased disability. Perhaps this is something many of us know intuitively, but seeing the data really underscores this fact—less than 10 percent of the working-age population have a disability, but nearly 20 percent of residents ages 65-74 have at least one disability, that number climbs to nearly 40 percent for people ages 75 to 84, and nearly 70 percent for those age 85 and older. Our formal health care system and informal care and support systems will need to adapt to this population's needs.

On the plus side, Minnesota has a traditionally high rate of civic engagement, and as our population ages they will likely continue to volunteer, engage in politics, vote and stay informed and involved. Compass shows that Minnesota ranks first among all of the states in terms of people 65 or older who volunteered in the last year. There is no shortage of public challenges and we'd be wise to tap into the seasoned wisdom of our older adults.

There's no doubt about it, we are all getting older, and as my mother used to say, it certainly beats the alternative. Understanding the trends and the numbers will help us anticipate the needs of the next decades.

For more data, analyses and resources, please visit Minnesota Compass at www.mncompass.org.

Andi Egbert is a research associate at Wilder Research. She works on the Minnesota Compass project.

Personal responsibility—more than a platitude

What will it take for workers to save more for long-term care in a tough economy?

By Stacy Becker

The Citizens League report, "Moving beyond Medicaid" talks about Minnesota's burgeoning financial crisis, driven in part by looming long-term care costs, and urges individuals to take greater personal responsibility for financing long-term care.

When it comes to long-term care, personal responsibility has become a go-to term for people of all political persuasions. It's nice to argue for personal responsibility; indeed it's part of the American ethos. But what does it mean? In tough economic times such as these, with high unemployment, stagnant wages and collapsing home values, is it doomed to be nothing more than a platitude?

An underlying assumption in the report is that Minnesotans have room in their budgets to save something for long-term care as part of their retirement preparations, and that those "somethings" collectively can make an enormous difference. What is something these days? A recent, quite detailed survey gives us a pretty good idea of where Americans stand on retirement preparation. (Just a note, in comparison to the rest of the country, Minnesotans are better educated, have higher incomes and are more upbeat about the economy.)

In March of 2011, the Employment Benefit Research Institute (EPRI) issued its 21st "Retirement Confidence Survey." The bottom line? Workers' confidence in their ability to afford a comfortable retirement is at a 21-year low. Retirees' confidence remained stable, after falling in 2008. Here are some of the details.

Workers are less confident. In 2011, the percentage of workers saying that they are "not too" or "not at all" confident about their retirement security rose to 50 percent from 46 percent in 2010, while those stating they are "somewhat" or "very" confident fell to 49 percent from 54 percent. More than a quarter (27%) said they are not at all confident, the first time the size of this group surpassed one quarter of respondents since the poll began. In 1993, 73 percent of workers felt "very" or "somewhat" confident about their retirement security.

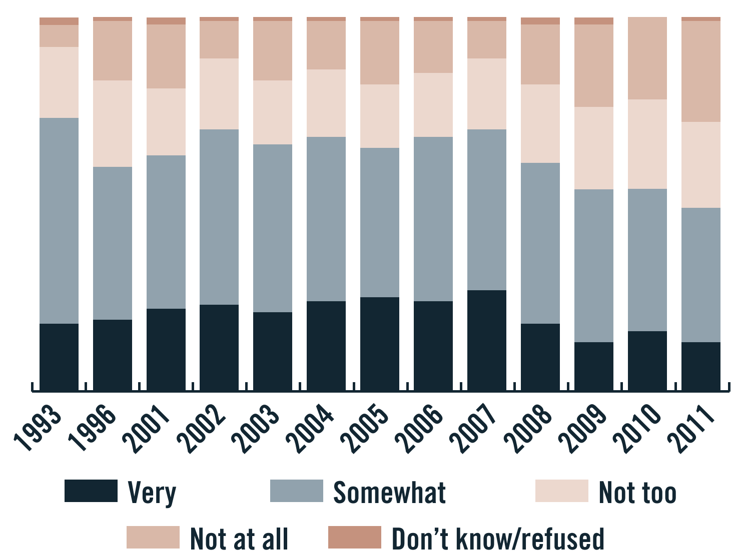
Civic Policy Agenda

The story is similar for retirees, but with a different time frame. Their confidence fell significantly in 2008 with the start of the recession and the collapse of housing prices. In 2007, 79 percent felt "very" or "somewhat" confident; this confidence level fell to 64 percent in 2008, and is at 60 percent today.

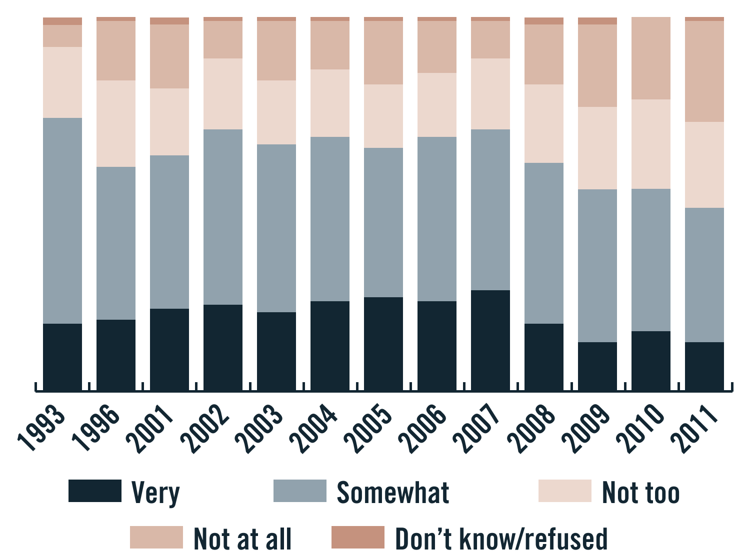
Confidence in the ability to afford long-term care is down. While the news is bad about workers' confidence in their retirement security, it's even worse for long-term care. Sixty percent of survey respondents feel "not at all" or "not too" confident in their ability to pay for long-term care. Fully one-third of workers are "not at all" confident, up from 28 percent in 1998. Equally troubling is that only nine percent feel "very" confident.

Perhaps one of the most disheartening trends is among retirees who feel confident in their ability to pay long-term care expenses. The number feeling "very" confident peaked in 2004 at 30 percent (with 23 percent saying they were "somewhat" confident). After 2004, confidence slid downhill and those feeling "very" confident stands at 16 percent today.

Worker confidence in having enough money to live comfortably throughout their retirement years



Retiree confidence in having enough money to live comfortably throughout their retirement years



Source: Employee Benefit Research Institute and Mathew Greenwald & Assoicates, Inc., 1993-2011 Retirement Confidence Surveys

Savings rates are down. The percentage of workers and/or their spouses who have saved for retirement has fallen somewhat over the last two years; it is now at 68 percent. Interesting, it was at 66 percent in 2007, at the height of the housing bubble. The same trend holds for workers currently saving for retirement: it stood at 60 percent in 2007, 65 percent in 2009 and stands at 59 percent today.

The percentage of workers with less than $10,000 in savings and investments (excluding the value of their home and defined benefit plans) is 46 percent in 2011, compared to 36 percent just three years ago. The good news is that, as might be expected, older workers have more in savings. Among workers age 45 and older, 46 percent have investments and savings of less than $25,000.

People feel they can save somewhat more. Workers were asked if they thought it was reasonable to save $25 a week more for retirement (even those who aren't saving now). Sixty-two percent said yes. They would accomplish this by cutting back on expenditures such as dining out, entertainment, cigarettes and impulse buying. Ten percent said they would cut back on groceries, and nine percent said they would not need to cut back on anything at all.

The value of good information

The recommendations offered by Citizens League's Long-Term Care Collaborative consist of a three-pronged plan to encourage and support personal responsibility: Medicaid reform, new financial products and better information. All three parts of the plan are considered essential.

In June, the Rochester Chapter of the Citizens League held a workshop around the third plank: better information. The workshop was designed to gather insight into people's attitudes towards long-term care planning, and more specifically, to provide critical perspectives for the design of a pilot project to test an employer-based information campaign that could be used effectively throughout Minnesota.

At the workshop, participants discussed a series of questions with their tablemates. Discussion was supplemented with a handful of questions that participants answered via "clickers," electronic handheld devices that register and aggregate responses in real time. A six-person panel offered their thoughts on the participants' views.

The session uncovered some very important things. First, people have a broad range of reactions to the idea that they need to save (more) for long-term care. Reactions ranged from confusion, to feeling overwhelmed, to asking practical questions. "Financing" and the need to save opened an enormous set of questions, many of which were laden with apprehension. "Is my investment safe?" "What can I do to take better care of myself?" "Where do you even start?" "How do I end my suffering if I don't want to be in a nursing home?"

It was especially interesting that many of the responses started with the question, "How will I know?" Participants told us that it wasn't just a matter of knowing information, but understanding when they know it. Sound confusing? That's the point. "How will I know when I need care?" "How will I know when it's time to move?" "How do I know whether I can count on an insurance company to be there 20 years from now?" "How do I know how much money I'll need? How do you predict the unpredictable?"

Second, participants were very interested in a proposal for a Rochester pilot project to test a public information campaign. Of the 33 participants, 94 percent liked the idea.

Participants qualified their responses, however. The Long-Term Care Collaborative felt that an employer-based information campaign would be an effective, efficient means of providing information. Their belief was based on national survey data, and on the fact that employers have a built-in means of talking to workers about savings through annual enrollment in pension plans or health savings accounts. Workshop participants in Rochester weren't so sure. They expressed less confidence overall in employers as a source of trusted information. Of those who supported Rochester's participation in a pilot, half said it depends on the design of the pilot. And when asked to list their most trusted sources of information, employers were seldom mentioned.

> The collaborative felt that an employer-based information campaign would be an effective, efficient means of providing information. The Rochester participants expressed less confidence overall in employers as a source of trusted information.

Overall, the workshop reaffirmed the importance of good information. The participants themselves were relatively savvy about long-term care. For example, 79 percent knew that after age 65 the likelihood of needing some type of long-term care in the future is about 65 percent. Yet the questions about how to plan for this eventuality presented a complex mix of personal, spiritual, financial and social dynamics. As the collaborative suspected, long-term care planning is a highly individualized proposition that varies with one's family, financial and health circumstances as well as individual preferences. Good basic information will be indispensible to helping Minnesotans sort through these many factors so they can make wise choices for themselves.

—Stacy Becker

Information matters! One of the more interesting findings in the report is that fewer than one-in-two workers (or their spouses) have tried to calculate the savings they would need to live comfortable in retirement. This percentage exceeded the halfway mark at 53 percent in 2000, fell to 38 percent in 2002, and is at 42 percent today. The "calculation" typically amounts to a guess rather than a systematic analysis. Nevertheless, those who have tried to calculate their retirements tend to set higher savings goals and to actually save more.

One of the more interesting findings in the report is that fewer than one-in-two workers (or their spouses) have tried to calculate the savings they would need to live comfortable in retirement.

Interestingly, workers who attempt to calculate their retirement needs are not discouraged by the result—their confidence levels have remained stable over the last six years. Almost half (44%) made changes to their retirement planning as a result of doing the calculation, including saving more, changing their investment mix, reducing spending or debt, and working longer or more hours.

IMPLICATIONS FOR THE RECOMMENDATIONS

The Long-Term Care Collaborative's focus on personal responsibility was predicated on the (researched) belief that many people can indeed save more for their retirement and for long-term care. The collaborative also opted for a strategy of "more is better." Anything we can do to better prepare for our long-term needs is an important step in the right direction. The collaborative insisted, however, that if we are really serious about encouraging people to take greater personal responsibility for long-term care we must give Minnesotans three things: a stronger reason to prepare by reforming Medicaid, the opportunity to save by creating better financial products, and the information to make wise choices.

The EPRI survey validates the soundness of the collaborative's approach, but it also provides some guidance for implementation. In our focus groups, we found that people seemed to think that $20 or $25 a paycheck was a very reasonable amount to save. EPRI notes that while $25 a week may not seem significant, it accumulates to $1,300 in just one year, which is more than 29 percent of workers report having saved. As part of both its long-term care and Pathways to Prosperity work, the Citizens League has been pursing "save to win" legislation aimed at encouraging saving, especially among those of low or modest incomes (see page 13).

EPRI's report also shows how a little bit of information can make an important difference in terms of behavior change. The collaborative recommended both working with employers and the creation of an objective website to provide better information about the need to plan for long-term care. The EPRI report shows just how simple that might be. Workers offered an employer-sponsored retirement plan said the following information would be somewhat or very valuable:

- how much they need to save to maintain their current lifestyle in retirement (91% overall; 58% very valuable);
- how much retirement income they can expect from their current level of savings (91% overall; 55% very valuable);
- how much retirement income they could expect if they kept saving at the same rate (89% overall; 55% very valuable).

EPRI also showed that workers who tried to calculate their retirement needs, even if it was just a guess, tended to change their retirement planning behaviors. Given that fewer than one in two workers has even attempted a guess, providing basic information seems to be a reasonable starting point—even in a bad economy.

For more information, or to read the full report, go to the Employee Benefits Research Institute website www.epri.org, and click on the report.

Stacy Becker is a public policy consultant. She directed the Citizen League's Minnesota Anniversary Project (MAP 150) and staffed the Long-Term Care Financing Project.

A Minnesota must

Age-wave policy solutions to improve lives and our state's finances

By Eric Schubert

We're all aging. And this common ground offers tremendous opportunity to positively transform how we deliver and obtain the services and care many of us will need to live with empowerment and dignity in old age. Absent fresh thinking, our 1960s long-term care financing system will unnecessarily diminish lives while hurting Minnesota financially. We can and must do better.

If we make it to age 65, there is a 70 percent chance we'll eventually need supportive services, such as help with dressing or bathing, or longer-term care. Many think Medicare pays for these services. It doesn't. Our default is to spend down our assets and then turn to Medicaid, which often means a nursing home.

In fact, Medicaid—the fastest growing area of our state's budget—pays about 40 percent of Minnesota's long-term care expenditures. Without change, that expense is projected to grow nearly fivefold, from \$1.1 billion in 2010 to \$5 billion in 2035. And that figure is likely low if we don't find an Alzheimer's cure. According to the report, "Preparing Minnesota for Alzheimer's," the total cost of care for Minnesotans with Alzheimer's could reach an estimated \$20 billion annually by 2050, with much of it paid for by Medicaid. Unless we all agree to massive tax increases, today's Medicaid fallback is unsustainable.

Minnesotans want innovation. According to a statewide survey, two-thirds of Minnesotans ages 42 to 60 are concerned about their ability to pay for long-term care. Nearly 90 percent of those surveyed believe that developing new ways for helping people meet long-term care costs should be a top priority or a very important priority for government.

This issue is everybody's business and everyone's responsibility. Underscoring this, the Citizens League's three-part redesign framework for long-term care would create a necessary new paradigm. The framework is built on three central ideas: removing Medicaid disincentives to personal financial responsibility, creating more user-friendly financial products, and an intensive public education campaign. This framework would shift public thinking from a "spend-down to Medicaid" mindset to one of supporting and rewarding personal responsibility.

BETTER LIVING WITH MORE FINANCIAL FLEXIBILITY

Living in fear of financial ruin is no way to live; nor is abdicating personal responsibility to "beat the system." Additional flexible financial products for people with differing incomes, preferences, and risk tolerances would significantly reduce anxiety and impoverishment among the elderly while strengthening a safety net for those truly in need.

Take long-term care insurance, for example. Most people don't purchase long-term care insurance, either because they believe they can't afford it or won't use it. Many long-term care policies are comprehensive, providing benefits for home care and nursing home care. But what if people don't want that much coverage or expense? What if we could protect ourselves from just the most expensive care that most often leads to big Medicaid expenditures? Developing a catastrophic insurance plan, as outlined in the Citizens League report "Moving beyond Medicaid," would provide such protection.

What if there was a trustworthy product where individuals could tap dollars from what is often their largest asset—the home? A hybrid home equity/reverse mortgage product developed by or supported by the state could be used for to pay for care, at better terms than existing reverse mortgages offer, and to help people stay in their homes (see product design objectives on page 15).

Another Citizens League idea, which was especially popular among caregivers in focus groups, is prize-linked savings accounts. For every \$25 accumulated in a credit union savings account, a saver would be entered in a prize drawing. This isn't gambling—the saver loses no money, earns interest, and could transfer their savings to a Health Savings Account when needed to pay for care.

Living in fear of financial ruin is no way to live; nor is abdicating personal responsibility to "beat the system."

Such products could be integrated with private insurance or, potentially, with the CLASS Act, a public insurance plan that the Administration on Aging is looking at introducing in the next two years. CLASS is not a comprehensive plan, so it's important for new products to extend coverage.

BETTER SERVICES, STRONGER SAFETY NET

Passage of Medicare and Medicaid in 1965 resulted in a nursing home building boom. That was innovation then. We need innovative ideas now to respond to current needs, ideas where the individual and their home become the service hub, whether that's an apartment, a single family home, co-housing or something else. With its early adoption of "housing with services," commonly known as assisted living, Minnesota improved lives. Building on the Citizens League's ideas, we could lead again.

More Minnesotans would have coverage that fit their specific needs. Such a marketplace would dramatically and positively transform service offerings. Don't be surprised, for example, if savvy businesses such as Wal-Mart enter this space. If someone else provides better services than we or others do, consumers will choose them. Competition for quality is good.

More "insured" people would mean fewer people turning to Medicaid, bolstering the fund for people who truly need it rather than depleting it for people who have financial means but have absolved themselves of personal responsibility. And as part of new accountable care organizations, nursing homes would become much smaller, more specialized short-term centers that are well integrated with other medical providers.

continued on page 15

Honoring Choices Minnesota

Listening sessions yielded some surprising and important findings about end-of-life planning

By Annie Levenson-Falk

In the spring and summer of 2011, the Citizens League hosted a series of listening sessions to learn how people experience and think about planning for end-of-life decision making. This effort was part of the broader Honoring Choices Minnesota initiative, led by the Twin Cities Medical Society.

The overarching goal of this project is to help Minnesotans prepare for end-of-life decision making. Many, many lessons emerged from these listening sessions. This article highlights several of the most important.

The conversation itself is what's most important, and having a written health care directive actually leads many people to believe they are better prepared than they are.

Family conversations are the key to end-of-life planning. As one participant noted, "You don't just sit down and do a directive. You have to think and talk about it over many months."

My parents both had directives, but when it came time, they were surprised how little guidance it actually gave them.

Family dynamics have a powerful influence over medical choices, and participants described how this includes differing interpretations of a written directive. Conversations help family members understand and accept their loved ones' wishes. They also ease the burden on the person who is entrusted with making medical decisions by lifting guilt or uncertainty.

One participant explained, "My parents both had directives, but when it came time, they were surprised how little guidance it actually gave them."

In general, participants were appreciative of physicians, but they had a number of suggestions for the medical establishment.

Many participants felt well-served by the medical community. A few stated that they would rely heavily on their physician's advice for end-of-life decision making. At the other end of the spectrum, some had become deeply distrustful of the medical community's willingness to do anything other than intervene to save lives, no matter how painful or fruitless. Pain management was the most frequently cited medical concern.

Participants were sympathetic to the medical, ethical and legal issues doctors face when deciding whether to give or withhold treatment, and understood that when the patient's or the family's wishes are unclear, physicians must err on the side of providing every treatment option possible

They also described a medical system that is so complicated that patients need an advocate to navigate it. For example, one participant described a patient in excruciating continuous pain who couldn't get the appropriate medication until a hospice worker interceded.

Participants recommended that the medical community:

- Be straightforward with patients and families about what they're facing and what doctors expect to happen. Don't be too pushy, but share information and analysis.
- Welcome and work with loved ones.
- Don't just see and treat the disease; comprehend the whole person.
- Help release family members from the feeling that they must do it all.
- Understand that the average person sees things much differently than medical professionals and experiences the death of a loved one in the context of a life that may be turned upside down. The typical person sees their illness and death in terms of its impact on other aspects of their life—mourning, financial considerations, who gets the china, etc. It is never simply a medical issue.

Religious teachings and leadership are important guides for decision making, but a number of participants also sought greater faith-based leadership in helping people reflect about death and related choices.

People search for a framework within which to make end-of-life decisions. For some, this framework is their faith.

A few participants sought greater clarification from religious leaders about the types of end-of-life choices permitted by their faith. The more common desire, however, was for greater leadership in organizing and supporting conversation about death and dying. As one religious leader said, "As religious people, if we're not preparing people for death, what are we doing?"

The desire to protect one's family is perhaps the most powerful motivator for end-of-life decisions and planning.

Respect and concern for loved ones can motivate people in different ways. Some people plan for end-of-life decisions because they want to honor their loved ones. Others refrain from discussions out of respect.

There was also a solid subset of participants who were motivated by a much larger vision of "protection"—that is, they felt a responsibility to not unnecessarily consume resources. A number of participants talked about the high cost of end-of-life medical treatment. They expressed concern that, as a society, we cannot afford expensive questionable treatments for dying patients. Their personal sense of duty included foregoing such treatments for themselves so as to not put an additional financial burden on society.

The listening sessions were recorded by Twin Cities Public Television. Video excerpts and resources for end-of-life planning can be found at www.honoringchoices.org. Download the complete Citizens League report at http://bit.ly/ne8Uvu.

Annie Levenson-Falk is the Citizens League policy manager. She can be reached at 651-293-0575, ext. 16, or at alevensonfalk@citizensleague.org.

Planning for retirement

continued from page 1

Federal and state governments are the largest source of funding for long-term care for the elderly. In Minnesota (and in the nation), Medicare and Medical Assistance—Minnesota's Medicaid program—bear about 66 percent of the total cost for formal long-term care; $3 billion in 2010. Medical assistance funded about $1.15 billion of that cost, about 34 percent. Medicare spent nearly $1 billion for short-term rehabilitation and care after hospitalizations, 32 percent of the total spent. Out-of-pocket expenditures by the elderly and their families totaled $800 million, about 26 percent of the total spent, and private insurance and other sources contributed $200 million, or about 7 percent.

As a state, we also need to increase the availability and affordability of private financing options and products to help pay for long-term care. There is no one "silver bullet" that can meet the needs of all individuals. For some people a health saving account works best. For others, long-term care insurance is the answer.

While these numbers reflect dollars spent on formal care, those dollars make up less than half the value of family caregiving in Minnesota. In 2010, informal care provided by families was valued at $8.2 billion. But, as I noted above, future demographic changes may shift these numbers. That shift will come with a public price tag. Our studies show that every one percent decline in family caregiving costs the state an additional $30 million annually. As a result, DHS is focusing on policies to slow this decline and provide effective supports to families.

WHO WILL PAY?

Our data shows that Minnesota's current and future elderly populations are not well prepared to pay for their long-term care needs. A 2005 report by the University of Minnesota State Health Access Data Assistance Center, commissioned by DHS, found that more than 50 percent of current retirees (age 65+) lack sufficient resources to pay for health care and long-term care. Yet 70 percent will need long-term care after age 65. When their savings are insufficient to pay for care many elderly turn to Medical Assistance. As a result, DHS projections suggest that Medical Assistance will serve 71,000 elderly recipients in 2030 and spend $5 billion on their care. In comparison, Minnesota served 43,000 elderly in 2010 at a cost of $1.1 billion.

Minnesota needs to implement a comprehensive strategic plan to help individuals plan for their retirement and long-term care. As the Citizens League report points out, many Minnesotans believe either that they will not need long-term care or that Medicare will pay for it. They are wrong on both counts. We need a public campaign to educate people about the need to plan and save. This campaign should target all workers, but especially those between the ages of 40 and 70. It should offer incentives to encourage employers to provide employees with retirement planning and counseling and to distribute materials and educational resources.

Research has shown that individuals are more likely to take action and make decisions regarding their retirement when they understand the need and the risks they may face, and that people trust their employers as a source of reliable information. Given this, we are pleased that the Minnesota Chamber of Commerce participated in the Citizens League work.

DHS is also looking into the possibility of replicating the most successful elements of the recently completed federal "Own Your Future" campaign, a joint federal-state initiative, with federal funding, to raise awareness about the need to plan for long-term care.

Minnesota did not participate in this program, which began in 2005. This year we are reaching out to the 26 states that did participate to identify what steps they took that were most effective so we can include those in our strategic plan. Developing a website to provide Minnesotans with objective information about long-term care will be a key part of that plan.

EXPANDING FINANCIAL OPTIONS

As a state, we also need to increase the availability and affordability of private financing options and products to help pay for long-term care. There is no one "silver bullet" that can meet the needs of all individuals. For some people a health saving account works best. For others, long-term care insurance is the answer. A simple savings account may be the right starting place for many. The Citizens League report calls for more work on insurance products and reverse mortgages as well as an interesting prize-linked savings plan to make more options affordable and available (see page 13). We plan to call together representatives of each of these products to explore the current make-up and the options available for modifying the design to increase use and affordability. As we explore savings vehicles, however, we must ensure that clear, objective information is available for each financing option and that adequate consumer protection measures are in place.

We also need to strengthen caregiver supports. Minnesota is doing a good job in providing support to caregivers, but we need to redouble our efforts if we are to continue meeting the needs of the elderly and people with disabilities. There are successful models for Minnesota to consider. A New York University program using a unique package of caregiver coaching, family meetings and enhanced supports for caregivers was able to delay nursing facility placement for people with dementia by 18 months, a phenomenal outcome. The Minnesota Board on Aging is now replicating this model, called the Family Memory Care program, in 13 rural and urban sites around Minnesota. These sites are seeing similar positive outcomes. We need to expand our efforts to make these caregiver supports more universally available and to identify other similarly effective policies.

The focus on the workplace also would provide an opportunity to educate workers on the new Community Living Assistance Services and Support (CLASS) Act provisions contained in the federal Patient Protection and Affordable Care Act. The CLASS program is a public, voluntary long-term care insurance program. Individuals are enrolled (with no underwriting criteria) through their employer and premiums are deducted from their paycheck. After five years, participants are vested. Participants who experience two or more limitations in activities of daily living are eligible for cash benefits of at least $50 per day to pay for long-term care services or products. Because this program is voluntary for employers and employees, the months leading up to its launch will be a crucial time as businesses and individuals decide whether to offer or enroll in the program. This once-in-a-lifetime "teachable moment" provides a unique opportunity for all employers and employees in the state to consider this issue and their options.

The state will also consider adding incentives within the medical assistance program that encourage personal responsibility. (see Medicaid Co-insurance Design Objectives below) It is clear that an increasing number of older Minnesotans will need Medical Assistance to provide for their long-term care. We need to preserve Medical Assistance for the most vulnerable and encourage those with the financial resources to save to do so.

Many individuals assume that the government will pay for their long-term care and this perception works against messages stressing the importance of saving for long-term care. We need to make the Medical Assistance rules clearer in order to eliminate these mixed messages and to better align the program to support personal responsibility.

Meeting the needs of aging Minnesotans is a tremendous challenge, and one that is critical to our state's quality of life. The strength of our past efforts puts us in an enviable position, as our first place ranking points out. Together we can build on Minnesota's tradition of innovation and caring and continue to provide long-term care, that is second to none. ●

Lucinda E. Jesson is the commissioner of the Minnesota Department of Human Services.

Citizens League Medicaid Co-insurance Design Objectives

1. If you have a qualifying plan that enables you to self-finance your long-term care expenses above some threshold amount, Medicaid will supplement your effort based on new eligibility criteria that do not require a recipient to be entirely impoverished. Traditional Medicaid would remain available for those who are unable or choose not to participate.
2. Medicaid co-insurance is an alternative to the traditional Medicaid option; people would elect to participate. Consider requiring that election be made at the time of applying for other benefits such as Social Security or Medicare.
3. A qualifying plan may consist of CLASS Act participation, HSA savings, LTC insurance and/or home equity.
4. The amount of Medicaid assistance will be largely based on income and may operate on a sliding fee and/or matching basis. Criteria for receiving assistance might also consider the overall costs of care in relation to the amount self-financed. The value of assets may be annuitized for purposes of calculating income.
5. Target group: middle income (25-65% of income distribution).
6. The Medicaid alternative must be more attractive than traditional Medicaid for the target group and provide incentives for them by addressing these barriers: means-testing eligibility; Medicaid's secondary payor status for those with private insurance and/or reverse mortgages; the disallowance of supplemental policies.
7. Medicaid co-insurance should provide incentives to plan and be forward looking (e.g., based on lifetime earnings). However, it must also be accompanied by changes that make traditional Medicaid a less attractive option for all families but those in the lowest quartile of income. Changes that ought to be discussed and considered include: amendments to the home equity exemption, income eligibility guidelines and spend down requirements.
8. It must result in savings of at least one third for the target group compared to the status quo. To accomplish this, any co-insurance program must carefully avoid the possibility that a new program might increase the overall demand for Medicaid financing for long-term care.
10. It must be easy to understand.
11. For cost-effectiveness and ease of administration, it should utilize readily available data and documentation (e.g., income tax forms, HSA accounts or Social Security statements).

Source: Moving beyond Medicaid

Raffles at tax time can promote saving for long-term care and other needs

The Legislature should approve the use of savings promotion raffles

By Anne Johnson and Bob DeBoer

The Citizens League Long-Term Care Collaborative and the Pathways to Prosperity Project both have recommended that Minnesota allow raffles to promote individual saving. This approach has successfully increased savings rates among credit union members in Michigan, and could do the same to promote saving in Minnesota while advancing multiple policy objectives.

The Citizens League report, "Moving beyond Medicaid," recommends the use of prize-linked savings raffles to encourage individuals to save for future long-term care needs, and the reform of Medicaid to reward saving. The intention of these recommendations is twofold, to increase incentives to save for those who have some assets and to create a more sustainable alternative to the "spend-down to poverty" mentality created by current Medicaid policies.

On a general level, increasing the rate of savings is essential to helping families pay for long-term care. But savings initiatives can also be tailored to any number of policy objectives. For those with few or no assets trying to earn their way out of poverty, savings raffles—coupled with other asset-building tools and policies—can provide a base for greater prosperity, particularly if reform of the public assistance system removes existing disincentives to asset-building.

Long-term care—assistance with the needs of daily life provided at home or in a care facility—is both expensive and likely. By age 65, a person has about a 70 percent chance of needing some type of long-term care. The cost of that care over a lifetime will run, on average, about $48,000, and may cost as much for as $100,000 for some.

Yet, when it comes to saving for the cost of long-term care, most people are financially unprepared and there are few existing tools to help them prepare. For example, estimates suggest that only about 10 percent of Minnesotans ages 50 to 84 carry long-term care insurance, and yet two-thirds of Minnesotans ages 42 to 60 are concerned about their ability to pay for long-term care.

Savings-promotion raffles are one way to increase the amount Minnesotans save to pay for long-term care. And tax time offers a unique opportunity for many families to build savings, according to AccountAbility Minnesota (AAM), one of the organizations partnering with the Citizens League to seek legislative approval for savings promotion raffles and promote their use

With nearly 40 years of experience providing free tax preparation and financial services to low- and moderate-income Minnesotans, AccountAbility Minnesota has gleaned insights into the financial realities of life for many struggling families. One of the most relevant is that tax filing can create a timely opportunity for individuals to save if attractive and appropriate savings products are made accessible and available. Policymakers need to look for mechanisms and incentives to attract this segment of the consumer market during tax filing when saving, however incremental, is an attainable goal.

THE HIGH COST OF POVERTY

Low- and moderate-income households often lack access to the financial mainstream. Existing banking products are generally not designed to meet the needs of the unbanked and the underbanked, those who have little or no access to traditional banks. Instead, these groups pay a high cost to access their own money, paying high fees for routine financial services at places such as check cashers, payday lenders and paid tax preparers that offer exorbitant rates and rapid refund products. An unbanked worker, someone without either a checking or savings account, can spend $41,600 over a lifetime on check-cashing fees alone. For the unbanked and underbanked the security and conveniences of internet savings accounts, debit cards, direct deposit and online bill payment are also out of reach.

> Savings promotion raffles are one way to increase the amount Minnesotans save to pay for long-term care. And tax time offers a unique opportunity for many families to build savings.

Without a formal relationship to a mainstream financial institution, unbanked and underbanked consumers have fewer opportunities to save money, build a credit history or create lasting assets. What's more, the lack of savings leaves them vulnerable in emergencies, and events like a job loss or unexpected medical expense can compound their financial problems. But savings provide more than a cushion against hard times; savings help to build aspirations and expectations for the future by enabling families to build long-term assets, such as job training, a home purchase, or a child's college education.

FROM GETTING BY TO GETTING AHEAD

According to research by the Brookings Institution, the Earned Income Tax Credit (EITC) is considered the nation's largest, most effective anti-poverty program. The EITC and the refundable Child Tax Credit together lifted 7.2 million people out of poverty in 2009, including 4 million children. As a result of the EITC and other state and federal credits, tax time is one of the few times of the year that a low- and moderate-income household may have a few extra dollars to save. Each year, as many families anticipate receiving a substantial tax refund, there is an important window of opportunity, or "money moment," when these taxpayers are able to consider saving a portion of their refund for their families' future.

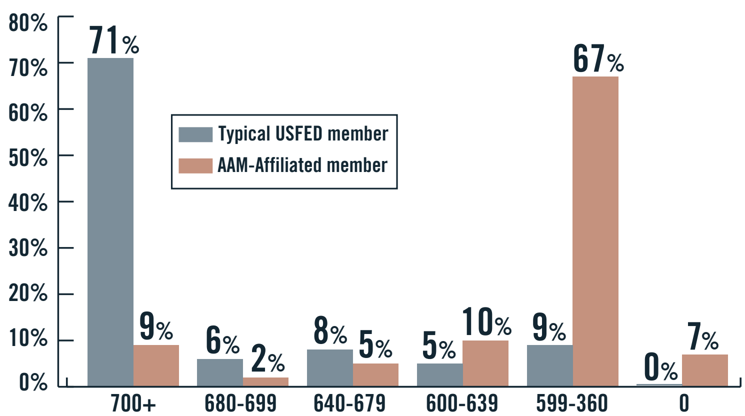
In 2006, AccountAbility Minnesota created a mechanism to move people into the financial mainstream by providing low-cost Express Refund Loans, a groundbreaking alternative to the pricey and often predatory refund anticipation loans (RAL) offered by paid tax preparers. AccountAbility Minnesota built in a savings component by coupling the loan with a free savings account, available regardless of credit or banking history. Six years later, AccountAbility Minnesota now offers a full menu of products and services designed to move people along the savings and financial security spectrum, including savings accounts, low-cost prepaid debit cards, access to free credit report review, free financial planning and public benefits screening. Since the inception of the financial services program, AccountAbility Minnesota has helped nearly 3,000 customers access savings accounts and, until last year, helped 1,700 customers access non-predatory Express Refund Loans. (AccountAbility Minnesota stopped offering its Express Refund Loan in 2011 when the IRS removed the debt indicator tool used to determine if a customer's federal refund would be garnished.)

The savings promotion raffle gives savers the chance to win cash prizes based on the value and frequency of their savings deposits, linking the allure and excitement of a lottery or raffle with a financial choice to save.

A recent evaluation of AccountAbility Minnesota's financial services by the Improve Group provides a window on the unique challenges faced by customers seeking access to the financial mainstream and highlights the ways in which standard banking products and services are incongruous with the needs and circumstances of the low-income consumer market.

- The savings aspirations of AccountAbility Minnesota customers clash with their circumstances. Seventy-one percent report that their biggest barrier to saving is not having enough money to save, yet most still desire to save and many said they need a place and strategy to begin saving, however incremental.
- Low-income customers have long-term savings goals just like everybody else, and enjoy the sense of security that a savings account brings. But long-term saving often isn't their first priority. AccountAbility Minnesota customers face more urgent, short-term concerns: 59 percent mentioned recent unexpected expenses like medical bills; 56 percent want to pay down debt.
- AccountAbility Minnesota customers view many mainstream financial services as out of reach—due to credit or checking history problems and service fees and minimum balance rules. They know that alternative financial services such as check cashing and payday loans are costly, but in a pinch they turn to them because of their speedy services and transparent, up-front fees.
- Low- to moderate-income individuals find it hard to maintain accounts and "graduate" to new products in mainstream financial institutions. Sixty-four percent of the 886 AccountAbility Minnesota-affiliated members who have opened accounts at US Federal Credit Union since 2006 have since closed their accounts. The average savings account balance of the 319 customers who continue to have accounts was $312, significantly lower than average balance for the "typical" credit union customer ($2,055).
- AccountAbility Minnesota-affiliated members also submitted 329 total loan applications. Of those, 214 (65%) were declined likely due to credit scores below 600.

US Federal Credit Union Credit Scores



Source: US Federal Credit Union

The Improve Group's evaluation and assessment identified the crucial gaps between the financial products and services that AccountAbility Minnesota customers are able to access and those they desire. These customers want to bank with mainstream institutions, but they want convenience, services and products relevant to their unique needs, and they want to be treated with respect.

Moving forward, AccountAbility Minnesota plans to address these barriers and to explore new approaches to meet customers' financial needs.

SAVINGS PROMOTION RAFFLES INCREASE SAVINGS

A savings promotion raffle, one type of prize-linked savings product, offers one such approach. The savings promotion raffle gives savers the chance to win cash prizes based on the value and frequency of their savings deposits, linking the allure and excitement of a lottery or raffle with the financial choice to save. Unlike the lottery, every participant wins as they build greater, consistent, interest-earning savings. What's more, prize-linked savings programs are tested, low-cost and scalable policy that encourage saving, without public subsidy. The Michigan Save to Win program, launched in 2009 by eight credit unions, has successfully attracted the unbanked, asset-poor, and lower-income customers, as well as those from across the income spectrum. For every $25 deposited in savings, participants in Save to Win received a chance to win a monthly cash prize and were entered in a year-end $100,000 grand prize drawing.

With a $25 minimum opening deposit, Save to Win was deliberately structured to attract low- to moderate-income consumers. To encourage sustained savings, only one withdrawal from savings per customer was allowed per year if savers were to remain eligible for the grand prize. Save to Win successfully attracted new accounts from non-savers, the asset poor, and low-to-moderate income groups and made a positive impact on savings behavior. During the 2009 pilot, 2,162 (44%) of the Michigan participants were low- to moderate-income and they saved a total of $1.37 million. The average account balance for these savers was $634, a cash cushion for emergencies that can help participants avoid the cost of tapping short-term, high-interest credit products.

Savings promotion raffles offer multiple benefits. These raffles:

- create incentives to bring the unbanked and underbanked into the financial mainstream
- help individuals build a financial cushion to for emergency or start saving for a specific asset-building goal such as education or a home
- encourage saving among higher-income groups (the target group in the report Moving beyond Medicaid for long-term care is 25 to 65 percent of income distribution) for future needs.

As an incubator for testing new approaches to asset building for low-income communities during tax time, AccountAbility Minnesota is well-positioned to connect a savings promotion raffle pilot project with other state and federal refundable credits in order to harness tax time to launch savings.

In addition, the Citizens League has been working with the Minnesota Credit Union Network (MCUN) to explore its members' interest in designing and participating in a savings promotion raffle program. In July of 2010, a key committee of MCUN recommended pursuing this approach.

The Citizens League is continuing to seek other partners who are situated to support passage, implementation and research around the use of a variety of savings tools that build assets and to align that asset building with other policy changes.

The Michigan example has demonstrated the allure of savings promotion raffles; the number of participating credit unions has expanded from the original eight in 2009 to more than 40 this year. The bottom line is that Americans as a whole need to save more for long-term care and other needs, and making saving fun is an important way to promote regular saving habits. Minnesota should allow savings promotion raffles to encourage individual savings and decrease the reliance on Medicaid as the primary financial support for long-term care.

Anne Johnson is the financial services manager at AccountAbility Minnesota.

Bob DeBoer is the Citizens League's director of policy development. He can be reached at bdeboer@citizensleague.org or 651-293-0575 ext. 13.

Minnesota must

continued from page 9

IMPROVED WORKPLACE PRODUCTIVITY

Nearly 60 percent of people providing care for an older adult work outside the home. The average cost to U.S. employers totals $33.6 billion per year in lost productivity. Caregivers typically have poorer health, which leads to increased healthcare costs.

Recognizing this fast-growing conundrum, Ecumen and other companies now provide paid caregiver leave. But most companies don't. With the Citizens' League framework, more people could get the right help at the right time, benefitting employers and employees. Remember how companies integrated childcare into the workplace for boomers? Now we need viable senior service solutions for employee and employer.

Failing to provide what we can for our own care pushes the financial burden to others, especially Minnesota's children. We're all aging. And we'll all benefit by moving beyond Medicaid as Minnesota's default insurance plan.

Eric Schubert is vice president of communications and public affairs at Ecumen and a Citizens League member.

Hybrid Home Equity/Reverse Mortgage Design Objectives

1. Loans are available to anyone drawing Social Security.
2. Funds are made available as a line of credit for specified purposes related to long-term care.
3. Rates for low income households may be subsidized.
4. Fees should total no more than 3 to 5% of the line of credit.
5. The loan should be excluded as an asset for determining Medicaid eligibility. (Proceeds from conventional reverse mortgages and housing assets should perhaps not be excluded.)
6. The loans can be administered either through the private market or the State.

Source: Moving beyond Medicaid

It takes you. And the Citizens League.

Join us for our Annual Civic Celebration.

November 9, 2011

Nicollet Island Pavilion
40 Power Street, Minneapolis 55401

Reception 5:30pm | Program 6:30pm

This event is free and open to the public so bring your friends!

MN JOURNAL

555 North Wabasha Street, Suite 240
Saint Paul, MN 55102

PERIODICALS

The Minnesota Journal
Publisher – Sean Kershaw
Editor – J. Trout Lowen
Managing Editor – Bob DeBoer
Board Chair – Donna Zimmerman

The Minnesota Journal (ISSN 0741-9449) is a publication of the Citizens League, a nonprofit nonpartisan Twin Cities public affairs organization.

555 North Wabasha St., Suite 240, Saint Paul, MN 55102.
Phone: (651) 293-0575. Fax: (651) 293-0576.
Email: info@citizensleague.org.

Articles and commentary are drawn from a broad range of perspectives and do not necessarily reflect Citizens League positions.

The Minnesota Journal is published six times a year. Periodicals postage paid at Saint Paul, MN and additional offices.

Annual subscription rate for nonmembers is $25. To order call 651-293-0575 or email info@citizensleague.org.

Postmaster: Send address changes to the Minnesota Journal, 555 North Wabasha St., Suite 240, Saint Paul, MN 55102.