

AN INVESTMENT LETTER FOR MINNESOTA PHILANTHROPISTS

Friday, October 15, 2004

Lifetrack Resources has been a leader in providing lifelong support to disadvantaged Minnesota individuals and families for fifty-five years. This issue will explore the added return on investment derived by Lifetrack's services to older citizens which delay or prevent their admission to expensive nursing home care. Lifetrack Resources served nearly 12,000 clients in 2003 ranking it as one of Minnesota's largest providers of family support services.

The purpose of "*An Investment Letter for Minnesota Philanthropists*" is to demonstrate how return on investment calculations can be applied to the private and public investments we make in our non-profit organizations. The Lifetrack Resources analysis requires that one make assumptions about when the transition occurs from independent living, to in-home assisted living and finally to fully supportive nursing home care. Despite the tremendous expenditures by federal and state agencies for nursing home care and in-home support there is little evidence that these primary funders have developed cost accounting systems that help maximize the return on investment to taxpayers.

By comparing the cost of services Lifetrack provides to keep nursing home candidates in their own home with the average annual cost of nursing home care (\$46,000) in Minnesota one can conclude that on a conservative basis that the return on investment for Minnesota taxpayers exceeds 100%.

WHAT'S THE PROBLEM?

- Minnesota's population of people 65 and older is projected to increase from 600,000 in 2000 to 1,000,000 by 2020.
- In the year 2000 Medicaid financed nursing home care for more than two-thirds of nursing home residents representing nearly one-quarter of total Medicaid payments.
- Medical care costs covered by state taxpayers are expected to rise 15% in Minnesota in fiscal years 2004-2005 compared with fiscal years 2002-2003 or an absolute increase of \$1.5 Billion.
- The booming economy of the 1990s aided state finances. During this same period the rate of increase in health care costs slowed. Both of these favorable patterns have ended.
- From 1998 to 2002 federal reductions in home health outlays totaled \$73.0 Billion resulting in a decline of over 1.3 million Medicare users during this period.

HOW DOES LIFETRACK RESOURCES HELP & WHO BENEFITS?

- Lifetrack's therapeutic services allow people to stay safely and independently in their own homes for an extended period of time.
- With assistive devices and professional training clients can learn to cook safely, eat efficiently, avoid falling, exercise, get dressed, use toilet facilities, entertain themselves and remain alert cognitively.
- On average appropriate training and therapy may require anywhere from five to twenty visits by a trained professional over a one to two month period of time.
- Candidates for service may have been in a nursing home, convalescent care center, extended care facility or inpatient rehab facility. They might have been on a waiting list for a nursing home, considering admission to a nursing home, requiring or receiving constant supervision or receiving home health aide or nursing services a minimum of two times a week or having a daily attendant.
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- During 2003 Lifetrack helped 140 senior citizens avoid nursing home care. At an average daily rate of \$126.50 per day nursing home costs in excess of \$1.0 million were avoided.
- Through physical, occupational and speech-language therapy the client builds endurance and compensatory skills to maintain their ability to achieve functional independence. Medical social workers assist with adjustment to disability, finances, housing and short term mental health needs.
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- Lifetrack Resources has been recognized by the Minnesota Department of Health as an "Essential Community Provider" because of their effectiveness in integrating their stabilizing therapy services with medical services for persons who are uninsured, at high risk or have special needs.

HOW ARE LIFETRACK'S IN HOME THERAPEUDIC SERVICE COST SAVINGS CALCULATED?

Lifetrack experience is that on average therapy and training with independent living devices can require from five to twenty homecare visits over a two month period. Complications such as medical problems (kidney disease, diabetes), unsafe housing, lack of family support, chemical dependency, mental illness and language issues may require additional therapy. This sixty day period is referred to as "an episode of care". On average Lifetrack's direct cost for an episode of care amounts to about \$1,400 excluding assisted living devices which are donated. In addition Lifetrack partners with others for medical training and support. The medical support adds an additional \$1,600 per episode of care to the total cost. Overall the total investment for sixty days of client training and medical assistance is estimated to be about \$3,000 or \$50.00 per day.

156 individuals were determined to be "at risk" for institutional care in 2003. Of those who received Lifetrack support 90% or 140 remained in their homes for at least sixty days after support was given and therefore 120 days after support was initiated. Because there is no effective way to measure relative performance through such techniques as the use of control groups it is not certain that all who received in home care avoided institutionalization because of Lifetrack support. To be conservative an assumed avoidance rate of 50% has been used to determine the rate of return to Minnesota taxpayers.

While the average cost for one year of nursing home care was approximately \$46,000 in 2003 it is likely that taxpayers did not bear the full brunt of this expense. The formulas for the level of government support are very complex (you must spend your savings down to \$3,000 etc.). For calculation purposes it is assumed the government reimburses 50% of total nursing home costs or \$23,000 for one year.

- **With a total investment of \$3,000 Lifetrack Resources and their medical care partner can provide a return to disadvantaged families and Minnesota taxpayers approaching 100% two months after service is completed.**
- **Minnesota taxpayers alone earn a return approaching 100% if nursing home care is delayed by four months. This return rises to more than 400% if nursing home care is delayed by one year.**
- **The philanthropic investor to Lifetrack Resources can earn an even higher return because of the leveraging impact from fee income and government grants (over 80% of revenues).**

CALCULATING THE RETURN ON INVESTMENT

<u>Number of Months Nursing Home Care Avoided</u>	<u>2Mos.</u>	<u>4Mos.</u>	<u>6Mos.</u>	<u>1Year</u>	<u>2Years</u>
<u>Nursing Home Cost</u>	\$7,700	\$15,400	\$23,100	\$46,000	\$92,000
<u>Reduce by Non-Governmental Share Of Cost</u>	3,850	7,700	11,500	23,000	46,000
<u>Assume 75% of Those Who Qualify Avoid Care Because of Lifetrack</u>	2,900	5,800	8,700	17,400	34,800
<u>Lifetrack's Average Cost</u>	1,400	1,400	1,400	1,400	1,400
<u>Lifetrack and Other Medical Costs</u>	3,000	3,000	3,000	3,000	3,000

Peter Heegaard, Editor. "An Investment Letter for Minnesota Philanthropists" is published quarterly with the support of The One Percent Club and draws upon the experience of the Charities Review Council of Minnesota, The Minnesota Council of Non-Profits and the Twin Cities United Way. Inquiries may be addressed to: 1035 Franklin Avenue South, Minneapolis, MN 55404. Tel.: 612 455-5198.

