

How Michigan Can Invest In Home Care *and Save The State Millions*



Prepared by Michigan Quality Home Care Coalition,
based on information compiled from the report
“Cost-Benefit Analysis of A Wage Increase for Home Help Workers”
by Anderson Economic Group, LLC. © 2006

Meeting The Long Term Care Challenge

Michigan policymakers are challenged with finding cost effective ways to meet our state's growing demand for long-term care. The Anderson Economic Group, LLC has analyzed the fiscal options with an eye toward saving the state money and providing the best possible care for those in need.

The research reveals that Michigan can save millions of dollars while improving care quality by investing in home-based care. **By addressing the problems plaguing Michigan's home care system, we can save money and ensure a stable long term care program that seniors and people with disabilities can count on.**



Michigan can save \$276 million in the next six fiscal years by investing now in home-based care.

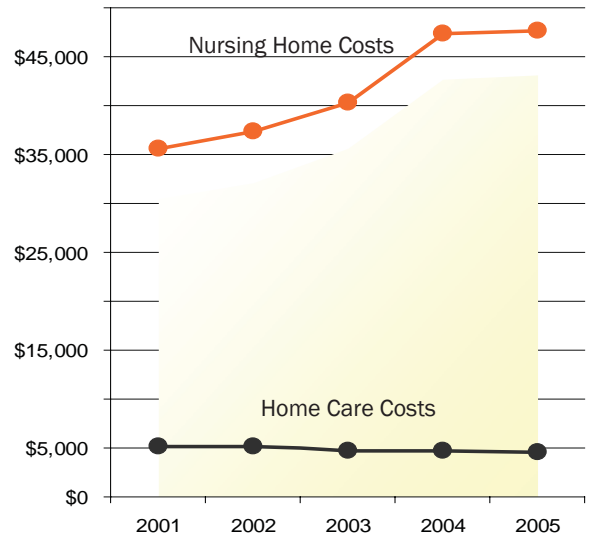
Findings

► Home Help Is Less Expensive Than Nursing Home Care

The Home Help program has a proven history of saving Michigan money. Between 2001 and 2005, as the number of Home Help consumers rose, the actual cost per consumer fell. In comparison, the state's nursing home population saw only a slight increase, yet its total cost per person rose substantially.

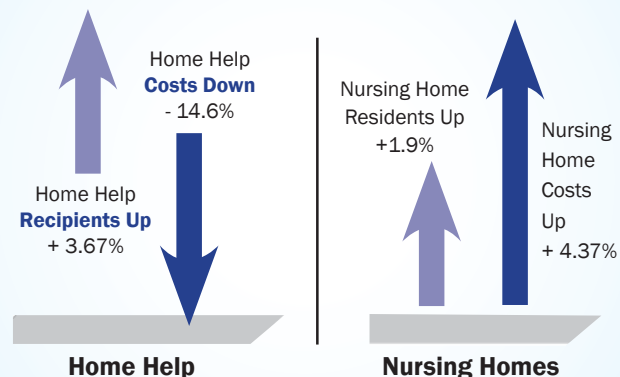
Last year, the average cost per beneficiary in home care was \$4, 496 versus a \$47,616 average cost of nursing facility care. The gap in the average cost of Home Help and nursing facility care has widened every year since 2001.

COST PER BENEFICIARY COMPARISON OF HOME HELP & NURSING FACILITIES



HOME CARE: THE MORE COST-EFFECTIVE CHOICE

Costs/Growth Comparison of Home Help vs. Nursing Home FY 2001-2005



► Expanding Home Help Saves Money

Improving the wages paid to Home Help providers will improve the quality of care and will attract new consumers to the Home Help program. Many of these new Home Help consumers will be forgoing costly nursing facilities so they can stay at home. The result is that as the Home Help program expands, state spending on long-term care will decrease.

For the first year that wages are increased for Home Help workers, fiscal year 2007, Medicaid long-term care costs will be reduced by \$25 million. As more people choose home care over nursing facilities, the cost savings will grow to \$32 million in the second year, up to \$70 million in 2012. By 2012, total long-term care savings will total \$276 million.

► Investing In Home Care: Good for Seniors and People with Disabilities

While the fiscal benefits of expanding Home Help are substantial, arguably the largest benefits are to individuals who are able to remain in their homes, rather than being forced into more costly, unfamiliar institutions.

People who receive care in their own homes experience tremendous improvements in their quality of life in comparison to those in nursing facilities. Simply being able to live in their own home allows a sense of dignity and independence not available in even the best nursing facilities.

As the Home Help program expands, those who were previously relying on informal care will have access to more care and feel like less of a burden to friends and family.

For people receiving long term care for the first time, Home Help will provide vital assistance in daily tasks that will immediately improve their quality of life.

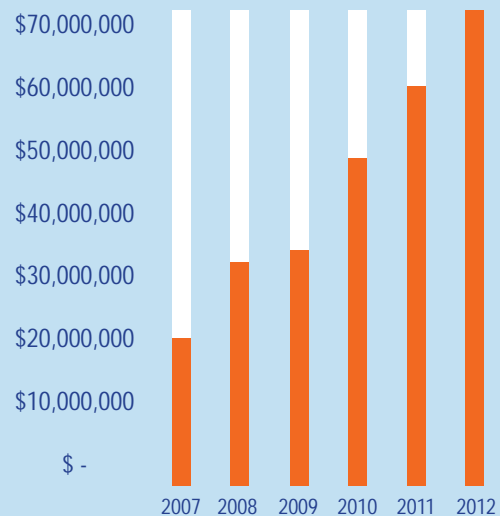
Any increase in per patient costs from wage increases will be mostly recouped through lower administrative costs due to less turnover, a decrease in higher nursing home costs, and better quality care.

► Financial Benefits to Remaining In Own Home

Michigan suffers from the economic burden associated with citizens who leave their homes unoccupied while in nursing homes. Many Medicaid beneficiaries who live in nursing homes still own homes (because they are in nursing homes temporarily for rehab or they have difficulty selling their homes). Each of these cases result in direct costs to the individual and to society:

- Total per person annual cost due to lost rental income: \$4,302
- Total per person annual cost due to declining property value: \$498
- Further costs are created as declining property values negatively impact neighboring homes.

TOTAL COST SAVINGS: 2007-2012



In the next six fiscal years, Michigan can save \$276 million in Medicaid costs by investing now in home-based care.

Investing in Home Help is a win-win situation for the State. Michigan is able to care for more people at a cost savings . . . [and] to move people from institutional settings into their own homes.





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Anderson Economic Group, LLC is a consulting firm with expertise in economics, finance, market research and public policy.

Since our founding in 1996, we have assisted clients including private firms, publicly traded companies, state & local governments, and non-profit organizations. Our experience includes markets throughout the continental United States, Alaska, Canada, Mexico, and the Caribbean.

Anderson Economic Group is one of the few consulting firms in the United States that follows a quality assurance program based on ISO 9002 principles. We carefully document our methodology and sources; insist on high standards of organization, writing and graphics in our reports; and manage projects efficiently. This approach results in work that consistently withstands the scrutiny of business leaders, investors, attorneys, lenders, government officials, and others.

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Prior to founding Anderson Economic Group, Anderson served as the chief of staff of the Michigan Department of State in the Engler Administration, where he supervised over 182 offices, 2,100 employees and annual tax collections of over \$1.4 billion. He also served as a deputy director of the Michigan Department of Management and Budget.

Anderson has written more than eighty-five articles published in periodicals such as *The Wall Street Journal*, *The Detroit News*, *The Detroit Free Press*, *American Outlook*, *Crain's Detroit Business*; and monographs published by the Mackinac Center for Public Policy, The Economic Enterprise Foundation of Detroit, the Ethan Allen Institute in Vermont, and the Heartland Institute of Chicago. His book "Business Economics and Finance" was published by CRC Press in July 2004. His paper on "Pocketbook Issues and the Presidency" was awarded the Edmund Mennis Award for the best contributed paper in 2004 by the National Association for Business Economics.

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