

# There Goes The Neighborhood? Subsidized Housing in Urban Neighborhoods

by Edward G. Goetz, Hin Kin Lam, and Anne Heitlinger



## In This Issue:

.....feature articles.....

There Goes the Neighborhood? ..... 1

Thin Sections: Retrofitting the  
Minneapolis Park and Parkway  
System ..... 7

Managing on a Limited Income ..... 11

Medicaid and the Challenge of  
Paying for Nursing Home Care ... 13

.....other items.....

1995 CURA Publications List  
and Order Form ..... 19

Project Awards ..... 20

This study analyzes the impact of subsidized housing on urban neighborhoods. Specifically, we examine the effect of subsidized multi-family projects developed by nonprofit community development corporations (CDCs) in the central neighborhoods of Minneapolis. CDCs are typically neighborhood-based, nonprofit organizations created by community activists. In some cases, CDCs are off-shoots of neighborhood organizations. In 1996 there are ten neighborhood-based CDCs producing housing, along with four regional CDCs that pursue some of their development in Minneapolis. Government-subsidized rental housing in Minneapolis is largely carried out through

the efforts of nonprofit organizations. Recently, the strategy of subsidizing multi-family housing in the inner city has come under attack from a variety of sources. There are three major concerns regarding the housing created by the CDCs. First, opponents claim that the subsidized projects depress residential property values in the neighborhood. Second, it is claimed that subsidized housing increases crime in the neighborhood. Finally, some neighbors fear that this type of housing attracts newcomers to the neighborhoods, increasing the concentration of poverty and destabilizing the neighborhood. Given these concerns, neighborhood

organizations and local officials are beginning to question whether the subsidized housing that CDCs produce contributes to the decline of neighborhoods. Many neighborhood organizations have expressed the desire to halt multi-family housing projects and shift to homeownership assistance. This study is aimed at providing factual content for the debate on the effects of subsidized housing on neighborhood vitality.

## Methods

The study focuses on the relationships between subsidized housing and three dimensions of neighborhood vitality: property values, crime, and the “fit” of the building and the residents with the surrounding neighborhood (including the impact of the building on residential stability, the concentration of poverty, and the degree to which the building competes with the private sector residential market).

We used data from the City Assessor’s office to examine the impact of subsidized housing on property values in the inner-city neighborhoods. We used crime-call data from the Minneapolis Police Department to chart the number of police calls, crime reports filed, and arrests made at fourteen subsidized housing projects from 1986 to 1994, both prior to and after their development as subsidized multi-family housing.

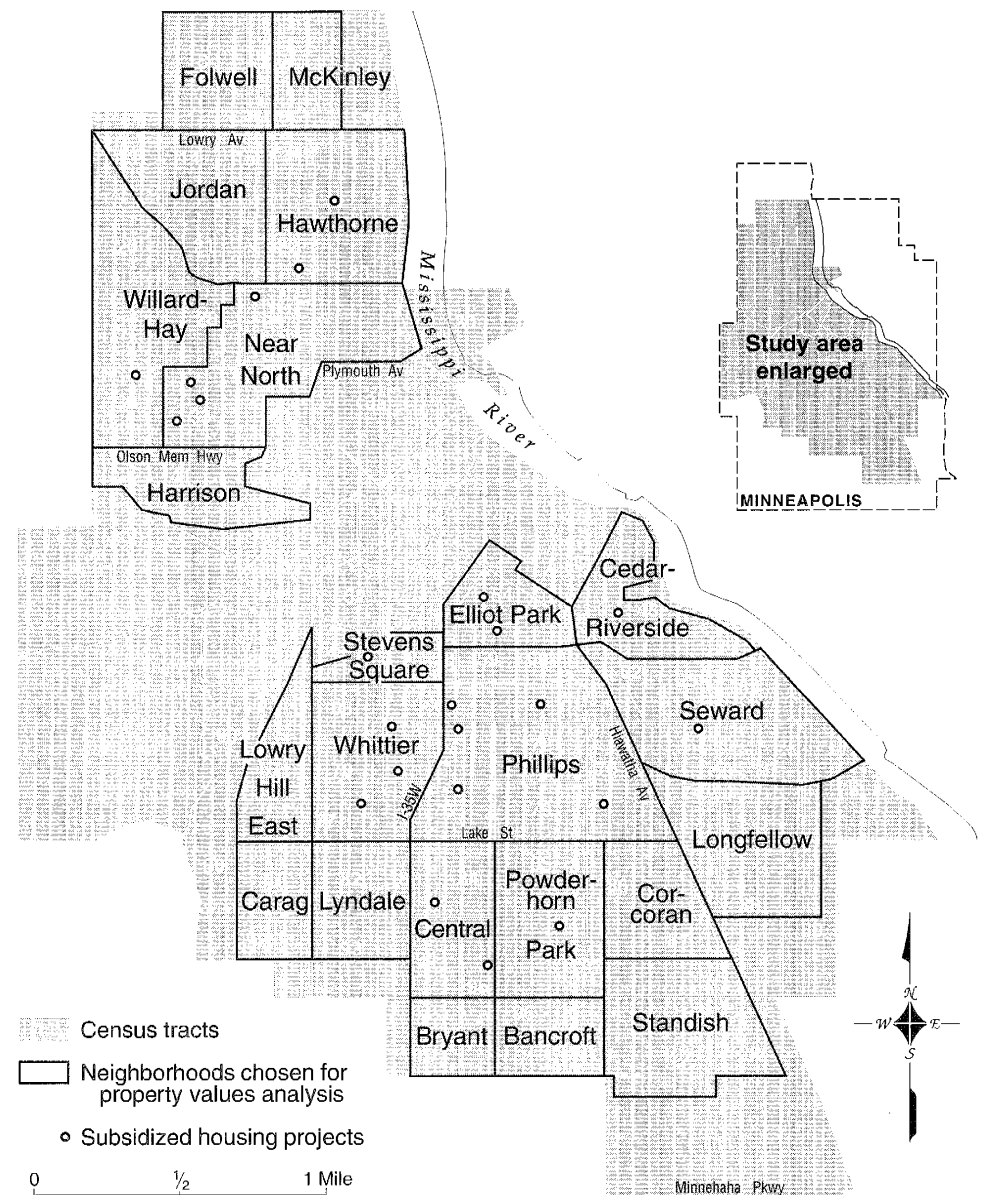
Finally, we gathered data from the CDCs and their property management firms on twenty-three sample projects (the fourteen used in the crime analysis and nine more) to compare with 1990 census level data on the study site neighborhoods. We looked at how long people had lived there and where they had lived before, their race, income, sources of income, and their rent.

The sample of twenty-three housing projects (Figure 1) was not random; projects were chosen to maximize variations in geography (both north and south side projects were included), in size (four to eighty-six units), in age of development, in type of subsidy (Section 8 rental or building subsidy), in rent levels, in income mix of tenants, and in type of building management (leasehold co-op, limited equity co-op, tenant management, and traditional). The developments chosen were all multi-family housing projects that had been publicly subsidized and were developed by nonprofit CDCs.

## Do Property Values Go Down?

The analysis of property values using tax assessor’s data allowed us to examine the impact of all nonprofit-developed multi-family housing on property values in the inner-city neighborhoods of Minneapolis. Neighborhoods included in the analysis are named in Figure 1. Overall, the findings

**Figure 1. Housing Projects and Neighborhoods Chosen for this Study**



show that proximity to subsidized housing does not have a large impact on property values. Proximity to nonprofit-developed subsidized housing actually enhances property values at a rate of \$0.86 per foot. That means, when comparing two properties, that if one property is 100 feet closer to a nonprofit-developed subsidized housing project than a second property, all other things being equal, the closer property will be \$86.00 higher in value.

Two other categories of subsidized housing, public housing and privately-owned, publicly subsidized housing, have slight negative effects on property values. Proximity to privately-owned, publicly subsidized housing reduces property values by \$0.82

per foot (so that, all other things being equal, a house would have a value of \$82.00 less than a second house 100 feet farther away). The impact of public housing deflates property values by \$0.46 per foot.

But, while the existence of publicly subsidized housing has a relatively small impact on property values, we found that factors related to the management and maintenance of private sector housing have a more significant impact on property values. For example, the presence of abandoned buildings in the neighborhood reduces nearby property values by \$860 for each abandoned building. In addition, using the City Assessor’s evaluation of property conditions, we found that properties in standard condition were worth \$7,473 more in value than substandard properties. Finally, there is a small additional impact from code violations issued to nearby property owners. Each violation issued by city inspectors

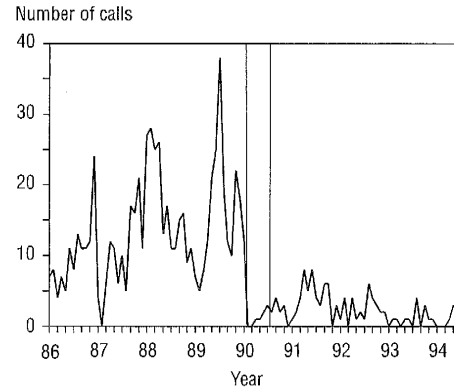
**Cover photo: Which property is subsidized housing? This study found that property values actually go up next to CDC subsidized housing projects like this one on Oliver Avenue (second from left) in north Minneapolis.**

reduces nearby property values by \$2.37. Taken together, these factors indicate that the maintenance and condition of the private housing stock in a neighborhood is more significant in determining property values than is the presence of publicly subsidized housing.

### Does Crime Go Up?

When the data are examined as a whole (we used a pooled time series analysis) they show that there were significantly fewer crime calls at the fourteen properties we studied after they were rehabilitated and converted to subsidized housing. There was a decline, on average, of over one and one-half crime events per month at these fourteen buildings. When the properties are examined individually, four buildings show a significant decline in police calls after rehabilitation: the B-Flats and Double Flats co-ops in Whittier, the Greenwood Co-op in Powderhorn Park, and Portland Place in the Phillips neighborhood (Figure 2). In addition, two properties show a slight increase in crime events: the Mission Building in Cedar-Riverside and the Howards Apartments in Phillips. The remaining eight buildings show no statistical change in crime events after

**Figure 2. Monthly 911 Police Calls from Portland Place (2430 Portland Avenue)\***



\*The two vertical lines in the graph represent the beginning and end of the rehabilitation process.

their rehabilitation and conversion to subsidized housing.

Overall, the data show a very slight upward trend in the number of crime calls at the properties after rehabilitation, even though the average level of criminal activity is significantly below the level prior to

rehab. In all, there is virtually no supporting evidence for the fears that these CDC-developed subsidized housing projects increase crime. The balance of the evidence shows the opposite, that there is less crime since the CDCs purchased the buildings and converted them into subsidized housing.

### Is the Neighborhood Destabilized?

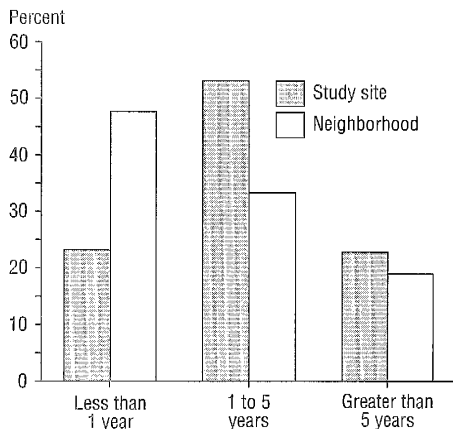
We compared data about the people who live in subsidized housing projects with data about other tenants in the same neighborhood to see how well these people fit into the neighborhood. We looked at six factors.

**1. Length of residency.** Overall, for the tenants of the twenty-three subsidized projects in the sample, 23.2 percent had, at the time of the data collection (fall 1994), lived in their units for less than one year. This compares to 47.7 percent of all tenants in the neighborhoods in which these projects were located (Figure 3). This suggests much less transiency among the residents in the subsidized buildings. The pattern is repeated in other time frames as well. Over half of the residents in the subsidized buildings had lived in their units for somewhere between one and five years prior to the fall of 1994, whereas only a third



CDC subsidized housing was found to have a dampening effect on crime. At Portland Place (pictured here), in the Phillips neighborhood, there was a significant decline in police calls after the project was rehabilitated (see Figure 2).

**Figure 3. Length of Residency for Study Site and Neighborhood Tenants**

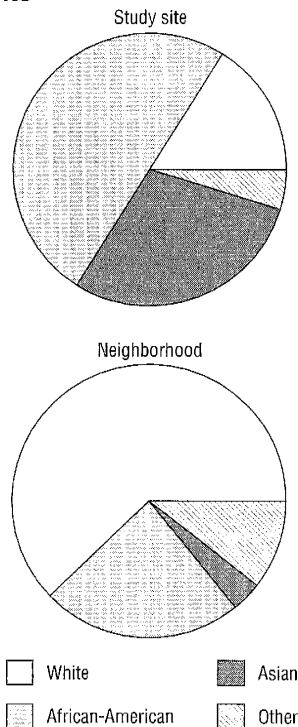


of all the tenants in these census tracts have lived in their units that long. Finally, 22.8 percent of the residents in the subsidized projects have lived in their units for more than five years, compared to 19 percent of all tenants in the census tracts covered.

**2. Previous residency.** There is little support for the hypothesis that subsidized housing units are attracting new low-income residents to the city. Most of the current residents of these buildings (88 percent) lived in the city prior to moving into their subsidized units. Almost four out of ten (38.3 percent) lived in the same neighborhood. Comparison with other residents in the neighborhood is made difficult by the fact that the census uses a specific time frame for its question about previous residency. The census data show location of residence in 1985 (five years prior to the census taking). Nevertheless, the data show that a larger percentage of subsidized tenants than of other neighborhood residents had previously lived in the city. Some of the difference is undoubtedly due to the specific time reference in the census data. Yet, the comparison group from the neighborhood includes all residents, and homeowners are well known to be less mobile than tenants. Thus, the census data for the neighborhood actually underrepresents the mobility of neighborhood residents who rent.

**3. Race.** There are more people of color in the subsidized housing units than in the neighborhoods around them. While Whites make up 62 percent of the residents of the study site neighborhoods, they account for only 16.1 percent of the residents in the subsidized housing units (Figure 4). Conversely, African Americans make up only 23.6 percent of the study site neighborhood, but 49.8 percent of the study site residents. In addition, Asians are overrepresented among the residents of the subsidized buildings. They represent only 3.5 percent of the study site neighborhoods, but 29.2 percent of the study site residents. Thus, 84 percent of the

**Figure 4. Racial Groups Among Study Site and Neighborhood Tenants**



residents of the study projects are people of color, compared to 38 percent of the residents of the neighborhoods in which these projects are located.

**4. Income.** Residents of the study sites are more likely to have very low incomes than their neighbors in the surrounding community. Even though the subsidized projects in the study are located in the poorest neighborhoods in the city of Minneapolis, very low income residents are overrepresented among the projects' tenants. Almost three of every four project residents (70.9 percent) have incomes below 50 percent of the area median. This compares to only 52.4 percent of neighborhood residents with extremely low incomes. Project residents are 35 percent more likely to have very low incomes, and half as likely to have moderate incomes or higher than their neighbors.

**5. Sources of Income.** Fewer people are receiving earned income in subsidized housing than in the neighborhood as a whole. Fifty-six percent of the households in the subsidized units receive wages from employment (43.7 percent from full-time and 12.9 percent from part-time employment). This compares with 74.5 of the households in the neighborhoods where the subsidized housing is located (Figure 5). The data on

**Table 1. Rent Burden in Project Site Neighborhoods**

Census tract	Tenants with incomes less than \$10,000		Tenants with incomes between \$10,000 and \$19,999	
	Number (percent) paying more than 30 percent of income for rent	Median percent of income paid for rent	Number (percent) paying more than 30 percent of income for rent	Median percent of income paid for rent
16	270 (62)	50+	208 (80)	36
22	197 (90)	50+	94 (72)	37
29	83 (87)	50+	41 (49)	29
32	24 (77)	50+	20 (61)	32
33	173 (74)	50+	79 (72)	45
48	78 (76)	38	64 (55)	32
54	144 (74)	50+	74 (37)	23
56	580 (86)	50+	587 (56)	31
59	349 (69)	47	130 (40)	27
60	332 (67)	50+	204 (66)	39
69	255 (78)	50+	146 (45)	29
71	703 (75)	50+	237 (53)	31
73	232 (74)	50+	83 (52)	31
74	71 (71)	50+	89 (68)	36
77	223 (97)	50+	157 (56)	31
78	340 (78)	50+	222 (55)	32
83	260 (92)	50+	145 (78)	39
85	276 (91)	50+	206 (55)	32
95	157 (84)	50+	74 (77)	38



**The real lesson is that despite the subsidizing there is a huge need for more affordable housing. On the West Bank, where the Mission Building (above) is located, three-quarters of the neighborhood tenants with incomes under \$10,000 are paying more than 30 percent of their income for rent.**

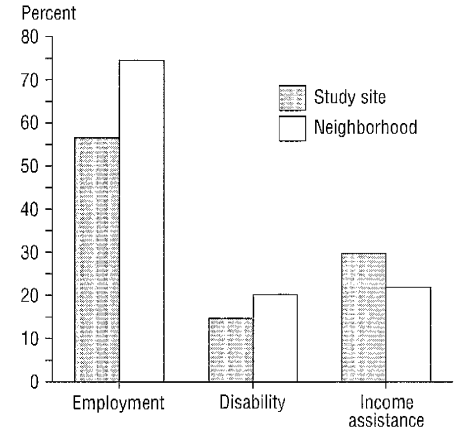
public assistance, however, do not show such a wide disparity. One in five neighborhood households (20.2 percent) receive disability income through Social Security payments compared to only 14.7 percent of the study site households. Similarly, 21.9 percent of neighborhood households receive income assistance through GA or AFDC, compared to 29 percent of the study site households. When combined, the percentage of households receiving public assistance is virtually identical between study site residents (44.8 percent) and neighborhood residents (42.1 percent).

**6. Rents.** We analyzed the question of whether the subsidized units unfairly

compete with the private sector by assessing the degree to which there is an unmet demand for affordable units in the marketplace. The data show a very large number of renter households in need of affordable housing in each of the census tracts where the subsidized units are located (Table 1).<sup>\*</sup> Thus, for example, in census tract sixteen, on the city's north side, there were in 1989, 270 renter households with incomes less than \$10,000 who paid more than 30 percent of their income for housing. They

<sup>\*</sup> Current federal housing guidelines establish 30 percent of household income as the affordability standard. Households paying in excess of 30 percent of their income for housing are living in unaffordable conditions.

**Figure 5. Sources of Income for Study Site and Neighborhood Tenants**



represented 62 percent of all the renters with incomes under \$10,000. The median percentage of their income that these households paid for housing was more than 50 percent. The Census Bureau does not compute exact percentages over 50 percent. Among renter households with incomes between \$10,000 and \$20,000 in census tract sixteen, 208 (or 80 percent) paid more than 30 percent of their income for housing.

In some of these areas the absolute number of households needing affordable housing is huge. In two southside census tracts (56 and 71), for example, more than 1,000 and more than 900 households, respectively, are paying too much for their housing.<sup>\*\*</sup> In other tracts with fewer people, the percentage of households in need of affordable housing is overwhelming. In a number of southside locations, over 90 percent of renters with incomes below \$10,000 are living in unaffordable housing. In all but two of the study site neighborhoods, for households in the lowest income category, the median percentage of income paid for housing exceeds 50 percent. These data leave little doubt that there is unmet need for subsidized, affordable housing in each of the neighborhoods represented in this analysis.

Since 74 percent of the tenants in the subsidized multi-family projects in our sample have incomes that are less than 50 percent of the median (incomes less than \$18,282), we must conclude that the majority of these subsidized units are targeting a population for whom there is an extreme shortage of affordable housing. There may well be some competition with private landlords for tenants whose incomes are above the 80 percent threshold (incomes of \$29,252 or higher), but these remain a small percentage of the tenants served by the subsidized housing generated by CDCs.

<sup>\*\*</sup> These numbers are derived by adding both income categories in each census tract.

## Conclusions

The concerns of community organizations and public officials regarding the negative impacts of nonprofit-developed subsidized housing appear largely unfounded. Property values actually increase in proximity to nonprofit projects. The impact of nonprofit projects is slightly positive while public housing and privately-owned, publicly subsidized projects have small negative impacts. We suggest that this is due to the fact that CDCs are typically neighborhood-based organizations with significant representation of neighbors and building residents on their governing boards. The CDCs are generally responsive to neighborhood residents in the planning and management stages of their subsidized developments. Indeed, it was this set of characteristics that led neighborhood groups to create their own CDCs in the first place. The analysis suggests that neighborhood organizations need to be more concerned about how private property owners maintain their buildings. Abandonment and code violations have important negative effects on residential property values, as does proximity to privately-owned subsidized housing.

The evidence presented here also suggests that these projects have a dampening effect on crime. The data indicate, in addition, that it is not true that the projects have contributed to higher rates of transiency in the neighborhoods where they are located. In fact, the effect is in the opposite direction, the projects create the conditions for a greater level of stability within the tenant population. This is probably due to the nature of the subsidies made available to tenants in the projects. For most tenants, the subsidy is tied to the building. Thus, to move means to lose one's housing subsidy. This makes it more likely that tenants in subsidized housing will be more stable than other tenants in the neighborhood. Residents of subsidized housing overwhelmingly come from within the city, while nearly 40 percent also come from the same neighborhood. The data show a large unmet demand for the low-cost housing provided by CDCs.

There are large differences in race and class between tenants living in subsidized housing and tenants in the surrounding neighborhood. Residents of the subsidized units are much more likely to be people of color and are much more likely to have a very low income. It is possible that these very visible differences are the basis for opposition, from some, to subsidized housing. Concerns about increased crime, depressed property values, and the concentration of poverty, however, are misplaced.

## Policy Implications

Few critics of subsidized housing dispute the fact that there is a severe shortage of affordable housing for very-low-income families, both in the central cities of Minneapolis and St. Paul, and in the rest of the region. Thus, they have little or no objection to subsidized housing as a social

welfare policy. Most people agree that subsidized housing is virtually the only way to ensure that the very poor are decently and safely housed in today's marketplace.

The opposition to subsidized housing, therefore, primarily rests upon its suitability as a community development policy. Is subsidized housing good for the neighborhoods in which it is placed? The findings of this research indicate that nonprofit-developed subsidized multi-family housing is a very effective community development strategy; it increases nearby property values while reducing crime. Minneapolis neighborhood organizations and the residents of the neighborhoods in which CDCs operate should look upon those organizations and the housing they produce as assets to the neighborhood and positive contributors to revitalization efforts in their neighborhoods. Our findings strongly indicate that multi-family housing rehabilitation is an effective strategy that can be profitably continued in the central cities of this metropolitan area.

The prevailing notion about subsidized housing—that it is detrimental to the neighborhoods in which it is located—has led some policymakers and neighborhood activists to advocate for the dispersion of subsidized housing. Our findings suggest that the underlying premise of this argument is wrong, and that the dispersal of subsidized housing is not necessary for the sake of inner-city neighborhoods.

There are, however, other compelling reasons to disperse subsidized housing; to provide lower-income residents with easier access to areas of job growth, for example, and to provide lower-income children with better educational opportunities. These and other justifications for the dispersal of affordable subsidized housing still exist and they remain compelling. The issue of the dispersal of affordable housing, therefore, needs to be reframed; it should not be undertaken to relieve the burden of central city neighborhoods, it should be undertaken to enhance the educational and employment opportunities available to lower-income people and to provide families with a wider range of communities to choose from when they make their housing decisions. Our findings should serve to reassure the residents of more affluent central city neighborhoods and to reassure suburban residents that these policy objectives can be accomplished without subjecting their communities to higher crime or lower property values.

and monographs on local housing and economic development policy. Hin Kin Lam is a graduate student at the Humphrey Institute of Public Affairs. He is specializing in applying quantitative statistical techniques to public policy research in the areas of urban and regional economics. Anne Heitlinger is a graduate student at the Humphrey Institute of Public Affairs. She is pursuing a masters degree in planning with a focus on land use and housing policy.

This article presents a capsule version of the authors' full publication, *There Goes the Neighborhood? The Impact of Subsidized Multi-Family Housing on Urban Neighborhoods* (CURA 96-1). Readers interested in more detail can order a copy free-of-charge either by phone (612/625-1551) or via the World Wide Web (<http://www.umn.edu/cura>).

The research described here was funded by the Neighborhood Planning for Community Revitalization Program (NPCR). NPCR is coordinated by CURA and assists Minneapolis neighborhoods in planning for their future. NPCR is a coalition of eight Twin Cities colleges and universities: Augsburg College, College of St. Catherine, Hamline University, Macalester College, Metropolitan State University, Minneapolis Community College, University of Minnesota, and University of St. Thomas. Funding comes in part from an Urban Community Service Program grant administered by the U.S. Department of Education. The program supports student researchers to assist neighborhoods with projects that they propose as well as sponsoring a few faculty research projects.

**Edward G. Goetz is an associate professor in the Housing Program at the University of Minnesota. He is author of *Shelter Burden: Local Politics and Progressive Housing Policy* (Temple University Press 1993) and several articles**

# Thin Sections: Retrofitting the Minneapolis Park and Parkway System

by Lance M. Neckar

When the Minneapolis park and parkway system was established in the late nineteenth century, it stretched into largely undeveloped lands. Much of the system was built along the Mississippi River, tracts of swampland, and the shorelines of then distant lakes. The parkways, a central feature of the system, were designed by the landscape architect H.W.S. Cleveland to serve as promenades and carriage drives around these natural features. They also functioned as linear connectors between points in the developing park system. Frederick Law Olmsted (one of the designers of New York's Central and Prospect Parks) was called upon to review the Minneapolis system in the mid-1880s. He declared it a fine system, with two exceptions. First, its "Grand Rounds" design was, at that date, made up largely of these linear, corridor-like parks and parkways connected with the city's street pattern. Second, Olmsted felt that not enough attention had been paid to pedestrian pathways within the system.

As urban growth has surrounded much of the original parkway system, Olmsted's critiques have gained force. This is especially true in heavily used "thin sections" of the system. To accommodate changing recreational uses (such as bicycles and in-line skating) additional pathways were constructed during the 1970s and 1980s to separate these uses from pedestrian pathways. Cruising, the twentieth century's less genteel successor to promenading, has greatly increased automobile traffic around and between the lakes. Boaters, canoeists, and windsurfers also come to use the lakes. The pressures of enthusiastic users have pushed the limits of the thinnest sections of the system. And open public access to the parks makes it difficult to control the number of people engaging in any of these uses.

Combined, increasing numbers of uses and users of the park system have placed exponentially greater pressure on the area between Lakes Calhoun and Harriet, formerly called Interlachen, as well as other thin sections of public space within the system. And for many, particularly those living near the lakes, the balance between open public access to the system and conservation of the system's social, cultural, and ecological resources seems increasingly one-sided. Cruising, congestion, noise, and litter threaten to overwhelm the system's attractions, especially during the peak summer season.



**The Lake Harriet Bandstand is one of the most popular attractions in the Interlachen area.**

The Interlachen area offers a highly visible, site-specific example of the pressures affecting the balance between open use and conservation of the various resources of the Minneapolis park and parkway system. A prominent and popular metropolitan recreational destination, as well as a Minneapolis traffic corridor, the area also defines the edge of the Minneapolis neighborhood of Linden Hills. Rethinking the design of this specific physical and social space entails rethinking the balance among these various functions of the park and parkway system, on both the site-specific and system-wide scales.

Efforts in this direction have already begun. A citizen advisory committee has made recommendations for the "Grand Rounds" parkway system as a whole, and a second advisory committee has begun consideration of specific recommendations for the Lake Harriet area. This report is offered as a contribution to these efforts. It considers the possible impact of recommendations that have already been made, and suggests some additional means by which the problems facing the Interlachen area might be mitigated. Although focused on a specific area of the park and parkway

system, this report also addresses the complicated balance of functions and interests that characterizes many of the system's "thin sections."

## **Automobile Traffic and the Grand Rounds Report**

The Grand Rounds Citizen Advisory Committee—jointly appointed by the Minneapolis Parks Commissioners, Mayor, and City Council—recently undertook the task of rethinking the whole Minneapolis parkway system. In June 1995, they released a report of their recommendations. Neither surprisingly nor incorrectly, they identified the automobile as the chief villain in the system. Their recommendations for retrofitting the system accordingly paid particular attention to the problem of vehicular traffic.

The lake parkways and Interlachen area were among the areas that received specific attention in the Grand Rounds Committee's report. Among the area's many attractions is the highly popular Lake Harriet bandstand. Currently, the area is marked by a confusing geometric pattern of roads and pathways generated by the many modes of traffic that must navigate this small knuckle

of land between the lakes. Automobiles dominate, following a curvilinear roadway that hugs the lake edges and then splits into two one-way roads that slice through the physical landscape of the area's William Morse Berry Park. The one-way roads attempt to make the best use of the thin sections of land that are available. Nonetheless, they make an island of the park and put automobile traffic in close proximity to pathways for pedestrians, bicyclists, and skaters, especially at the crowded intersections that provide connections to the lakeside paths and parkways.

The Grand Rounds Committee recommended that the City of Minneapolis reduce automobile traffic around and between the lakes by experimental and possible permanent closure of three major sections of roadway in the area (Figure 1):

- Westbound one-way traffic would be removed from the northern edge of Lake Harriet by closing Lake Harriet Parkway between the Rose Garden and the Bandstand. Traffic would be rerouted around Lakewood Cemetery to 36th Street, at the cemetery's northern edge.
- East Lake Calhoun Parkway would be closed from 36th to Lake Street.
- The south end of Lake Calhoun Parkway would be closed between Xerxes Avenue and William Morse Berry Parkway.

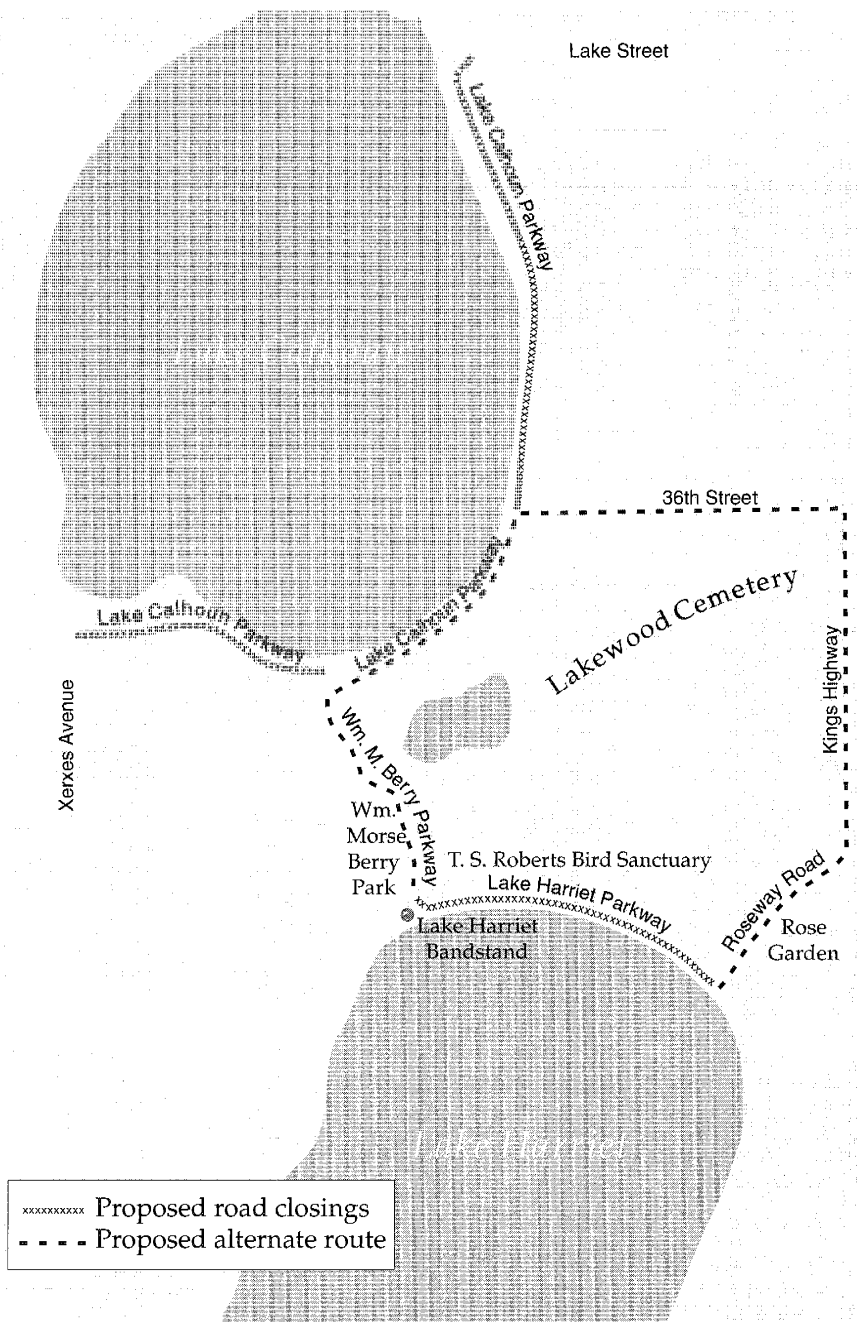
The Grand Rounds Committee's proposed roadway closings would accomplish several objectives. By interrupting the flow of traffic around the lakes, the problems of cruising and congested traffic would presumably be alleviated. Automobile traffic would be removed from thin and sensitive sections of land such as that between the Thomas Sadler Roberts Bird Sanctuary and the northern beach area of Lake Harriet.

There are, however, some disadvantages to the Committee's proposals. The continuity of the system would be broken for many users. While aimed at reducing automobile traffic around the lakes, the proposed roadway closings do not entirely close off the lake parkways to traffic. Closing limited sections of the parkways might effectively divert all remaining traffic either into the loop of one-way roads circling the play and picnic area of William Morse Berry Park (Figure 1), or into the neighborhoods surrounding the lakes. The roadway closing proposals, in other words, focus primarily on the area's function as a through-traffic corridor. Consequently, they offer only a partial solution to the area's problems.

#### A New Proposal for the Interlachen Area

Automobiles are a significant problem around and between the lakes, but they are only one element in a congested flow of traffic through the area. And the heavy use of automobiles is not a problem specific to this site only. Automobile traffic is a reality that will not go away without larger scale efforts

Figure 1. Roadway Closures Recommended by the Grand Rounds Committee

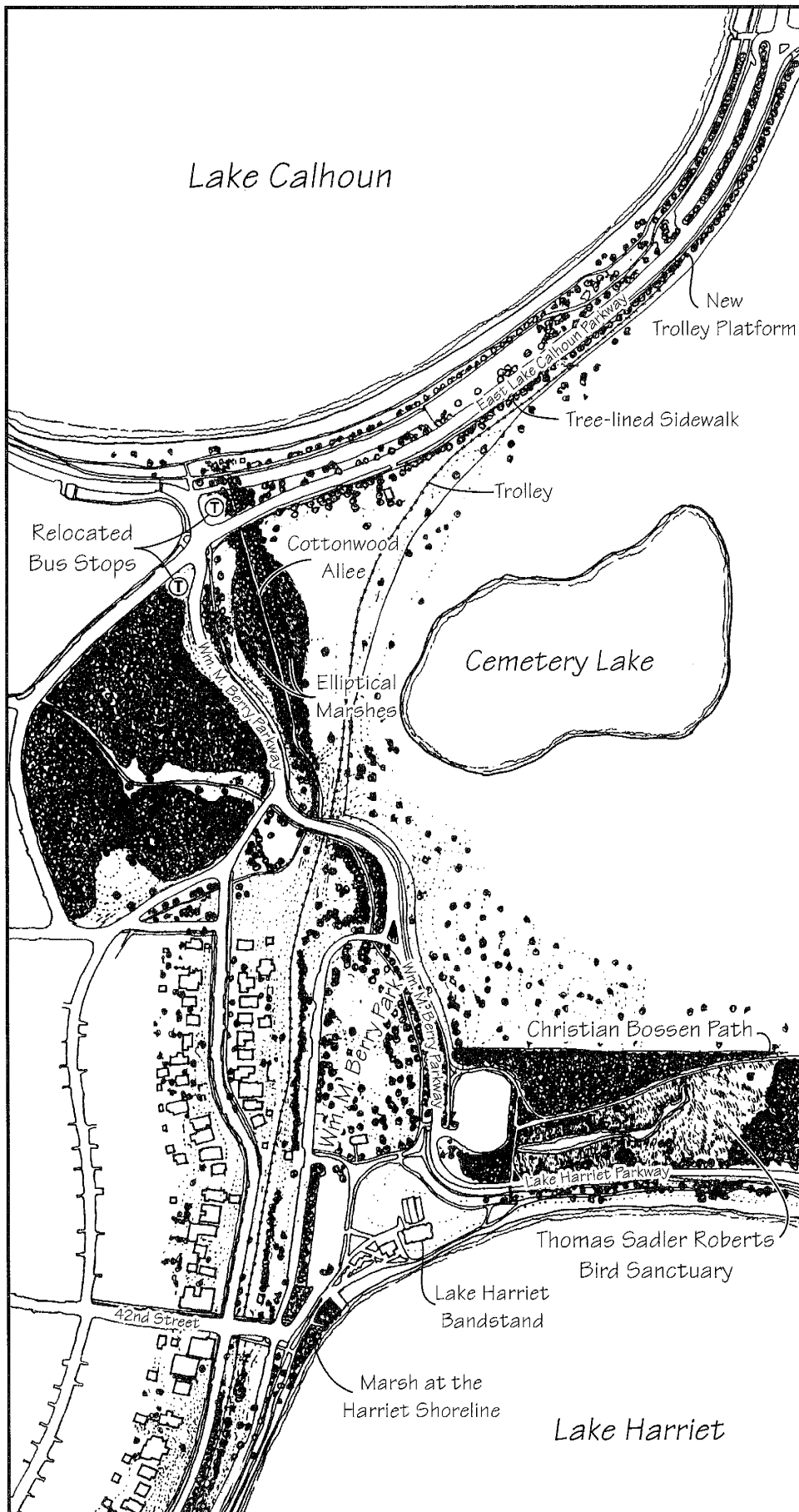


to control traffic in the metropolitan area.

The following design proposal considers how changes in the physical distribution of automobile traffic and other uses of the Interlachen area might better balance these various uses. By focusing on specific details of the area's physical landscape, we consider ways in which this compact space might be enhanced to better accommodate the area's many uses without restricting or closing off the area to automobile traffic. Such site-specific enhancements will affect not only the physical landscape of the park and parkway system, but also the ways in which the system is able to respond to the many demands placed upon it.

Less radical than the roadway closure plans, this proposal thus seeks cost-effective solutions to the area's problems that are based on the existing features of its landscape. The proposal has two specific objectives. First, it seeks to segregate modes of traffic in the area more clearly so that conditions for non-automobile users, especially pedestrians, will improve. Second, it seeks to emphasize ecological features of the landscape that have been obscured as the area has developed. Generally, the proposal seeks to strike a balance among the various regional, city, and neighborhood functions the area is asked to serve.

Figure 2. A Design Proposal for the Interlachen Area



Currently, the intersection at the corner of East Lake Calhoun Parkway and William Morse Berry Parkway, at the northern end of the Interlachen area, is one of the area's most congested sites. This intersection brings all modes of traffic together at the same spot, and then tries to keep them within parallel lanes at a key turn in the system. Bicyclists and pedestrians consequently follow the same routes as cars, which often run right next to them.

Two elements of the design proposal are intended to move pedestrian traffic away from this congested tangle of right-of-ways. The first is a tree-lined sidewalk running along the east side of East Lake Calhoun Parkway, which would connect with a new platform for the trolley running between Lakes Harriet and Calhoun (Figure 2). At present, there is an incomplete sidewalk at this location. The trolley simply stops and turns around at the proposed location of the new platform without taking on new passengers (passengers get on and off the trolley at the Lake Harriet station). Advertising to trolley passengers the opportunity to get on or off at either lake would provide a new means of transport through the area. And the addition of the trolley stop, together with a complete, shaded sidewalk, might attract pedestrian traffic away from the crowded lake side of East Lake Calhoun Parkway. Similar proposals have been suggested by the East Calhoun Community Organization.

The second element places a cottonwood allee (a pathway bordered by cottonwood trees) on either side of the ridge that marks the pipe connecting Lakes Calhoun and Harriet, and controlling the flow of water between the lakes (Figure 2). This pipe was installed to replace the original creek meander that connected the lakes and ran through wetlands in the area between William Morse Berry Parkway and Lake-wood Cemetery's Cemetery Lake.

The cottonwood allee would provide a more direct route for pedestrian traffic between the lakes than the current pathway, which winds through the area to the west of William Morse Berry Parkway. It would also move pedestrian traffic away from the bicycle and automobile traffic routes, which follow William Morse Berry Parkway. The allee would begin near relocated bus stops and the parking area at the intersection of East Lake Calhoun Parkway and William Morse Berry Parkway, and would continue over a bridge at the trolley line all the way to the Lake Harriet bandstand. Placed along the line of the pipe, the allee would also act as a symbolic marker of the original creek meander between the lakes. Elliptical marshes on either side of the allee would represent the area's original wetland, and more practically, would occupy a low-lying area that is still prone to flooding.

Moving to the Lake Harriet end of the area, a third element of the design proposal would place a symbolic, interpretive marsh at the Harriet shoreline, just south of the Lake Harriet bandstand and concession area (Figure 2). Placed at a site where run-

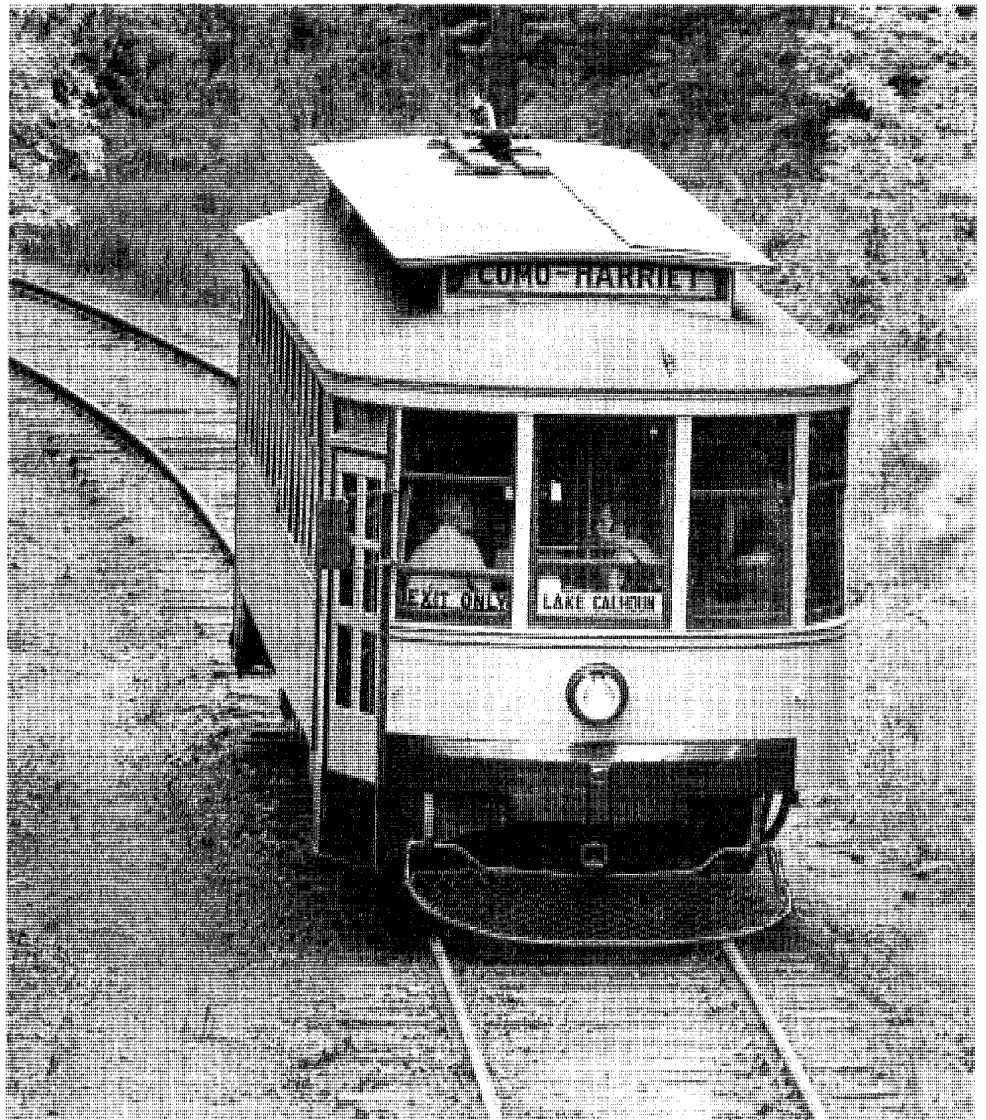
off from the Linden Hills neighborhood reaches the lake, the marsh would demonstrate the function of the original shoreline marshes. These marshes, dotted with sedges and rushes, filtered the sediments in surface runoff and cleansed the lake water. As an interpretive site, the marsh could inform the public about the ecological functions of these natural areas and address current controversies over mowing and other landscape management policies in the park system designed to restore such ecological functions. The marsh would also begin to reshape an area that suffers from congested traffic patterns. Canoe racks which currently occupy the site of the proposed marsh would be relocated to an area near the parking lot for the bandstand; at present, canoeists block traffic as they unload and portage their canoes across the bicycle path's right-of-way.

The final element of the proposal would develop an existing but little-used pathway through the Thomas Sadler Roberts Bird Sanctuary, which occupies a marsh above the northern edge of Lake Harriet (Figure 2). The Christian Bossen pathway currently runs through the Sanctuary, connecting the area between the lakes with neighborhoods to the east. Stairs and an antiquated turnstile at the entrance to the pathway do little, however, to encourage its use. Removing the turnstile, installing a handicap-accessible ramp, and enhancing the pathway with plantings of native tamaracks might encourage more use of the pathway, potentially drawing some pedestrian traffic away from the crowded northern edge of Lake Harriet. These improvements to the pathway would also highlight an already existing link between the area and its adjoining neighborhoods.

## Conclusions

This design proposal for the Interlachen area may open community discussion about how close attention to landscape design might help alleviate pressure on heavily used sections of the park and parkway system without prohibiting its existing uses. The Grand Rounds Committee's focus on the impact of automobiles on the system identifies a clear problem. Diverting traffic away from portions of the parkway is, however, unlikely to significantly affect the dominating presence of cars in the system. Moreover, automobiles are not the only use putting pressure on the Interlachen area, and their removal would address only part of the area's congestion problems, while destroying the fundamental connected quality of the system.

Assuming that, in the absence of wider scale attempts to address metropolitan transportation issues, automobile traffic will be a reality either on or around the parkway, this proposal suggests ways in which traffic of all sorts might be redirected and segregated to relieve congestion. It also suggests ways in which the natural resources of the system, some of which are now



**A new trolley platform would encourage two-way travel between Lakes Harriet and Calhoun.**

obscured, might be highlighted and adapted to accommodate the area's uses.

The problems facing the Interlachen area are primarily problems of too much success. The area's many attractions—the lakes, surrounding parks, and neighborhoods—have drawn large numbers of people into a tight space. Congestion threatens to overwhelm these attractions. Maintaining the balance between conservation of the area's resources and open public access to their attractions requires constant tinkering. And it requires maintaining the balance among the many functions the park and parkway system is asked to serve.

**Lance M. Neckar is an associate professor of landscape architecture at the University of Minnesota and a practicing landscape architect. His published research work includes "Fast-Tracking Culture and Landscape," a study of H.W.S. Cleveland's approach to park system design in the Midwest. Neckar's recent urban design work has won two Honor Awards from the Minnesota Chapter of the American Society of Landscape Architects.**

This study was supported in part by an interactive research grant from CURA and the Office of the Vice President for Research, University of Minnesota. Interactive research grants have been created to encourage University faculty to carry out research projects that involve significant issues of public policy for the state and that include interaction with community groups, agencies, or organizations in Minnesota. These grants are available to regular faculty members at the University of Minnesota and are awarded annually on a competitive basis.

# Managing on a Limited Income

by Marilyn J. Kennedy

Financial management education has typically been geared toward middle income persons who have developed a pattern of overextended credit. In 1990, however, educators at the Minnesota Extension Service in Ramsey County noted that they were receiving numerous inquiries about financial counseling programs from community service agencies and from individuals who did not fit the middle class model for such programs. In response, the Ramsey County Extension Service developed a pilot project in financial management education specifically targeted to reach individuals and families with limited incomes. Interested in determining the effectiveness of this innovative project, CURA funded an outcome evaluation of the project's impact on its participants.

## Evaluating the Project

The project reached a total of 1,843 individuals and families over a twenty-five-month period from 1990 to 1992. Its central feature was a three-part curriculum directed toward the primary goal of personal empowerment in financial management. Participants were encouraged to gain control over their financial affairs by developing basic skills in management and budgeting and

were introduced to the range of financial resources available to them. The emphasis of the project was on translating newly acquired knowledge and financial management skills into changes in personal financial behavior, a recognizably difficult task.

Because the evaluation was not part of the original project plan and took place after participants had finished the program, it was limited to a "before and after" research format based on questions asked in initial interviews with participants. An emphasis on individual adaptability and program flexibility by the project's administration—a primary asset from the Extension Service's perspective—proved to be the greatest liability in outcome evaluation, for there were few constant elements throughout the administration of the project.

Nevertheless, 290 persons received the full education program as originally designed by the Ramsey County Extension Service. This "core group" of 290 participants was the focus of our evaluation, serving as the pool from which a sample group of thirty-six participants was randomly selected. Due to the high mobility of many low income persons as well as the two-year gap between completion of the program and initiation of the evaluation, it proved difficult to locate former program participants. How-

ever, almost two-thirds of the sample group (twenty-three people) were contacted and responded to the evaluation questionnaire by telephone. With few exceptions the composition of the sample group closely resembled that of the larger group: the sample contained fewer single female heads of household than the core group, and slightly more individuals in the sample were privately employed.

## Who Participated?

Information gathered in the initial interviews furnishes a composite profile of the core group of project participants. They came from a wide range of income levels, but the median gross income was \$900 a month. The group was 78 percent White, 16 percent Black, and 6 percent other ethnic groups (including Asians, Hispanics, and American Indians). Most of the group (75 percent) lived in the city; the balance were suburban residents. Median household size was three, and most households either were headed jointly by a male/female couple or were single female-headed households. Almost 60 percent of the participants were privately employed, while 25 percent relied on public assistance as their main source of income. The greatest number of participants were in their forties.

## What Did They Learn?

The project's goals were directed less toward objectively measuring participants' financial improvements than toward teaching participants to work with the resources available to them and helping them gain a sense of control over their financial affairs. The individuals surveyed indicated that the project was effective on both counts.

Reported changes in the use of financial resources point to a greater awareness of the range of available resources and to greater independence from reliance on any one type of service or resource. Most notably, nearly a quarter of the people surveyed reported decreased use of "means test" resources. (Resources such as AFDC or General Assistance, which assess an applicant's need or "means" before help is granted.) In addition, there was a marked decrease in the use of food shelves. Whereas only 59 percent of those surveyed had initially reported that they were able to make it through the month without relying on food shelves, 86 percent reported at the time of



A pioneering project in Ramsey County is teaching financial management to people with limited incomes.

the evaluation that they were no longer depending on food shelves.

Almost two years after their participation in the program, a majority of those interviewed reported a considerable decrease in the number of unpaid bills. Twelve of the twenty-three interviewed reported that all their bills were paid up-to-date whereas in initial interviews only two had reported such status. Further, there were indications that at least some individuals had taken action to establish a savings plan, using strategies such as an automatic paycheck deduction, saving through a credit union, or simply tucking money away at home. It is noteworthy that although seven people reported greater total indebtedness at the time of the evaluation than when they began the program, three of these seven had returned to school and were dealing with high tuition bills. Others said that although their debt load was higher, it was also more manageable or was the product of a divorce. Thus, the higher indebtedness in these cases appears to reflect individual initiative to improve their financial status, as well as a potential increase in the overall quality of life.

On a more subjective level, the percentage of people who felt themselves "almost in control" or "in control" of their finances had nearly doubled (from 27 to 48 percent) during the period between the initial program interviews and the outcome evaluation. In addition, 65 percent of the sample group reported feeling more hopeful at the evaluation than at the beginning of the project, many emphatically so. Questions regarding hope drew more intensity of feeling and more spontaneous response from participants than any other segment of the evaluation. Hope is a critical factor in achieving behavioral change, and as such this was perhaps the most important finding. Several of the people interviewed expressed appreciation for the opportunity that the project offered to share experiences and ideas with others in similar circumstances. The support from other program participants as well as staff reduced their isolation. Some said they derived hope simply from the fact that a public agency cared enough about them to create such a program.

### Conclusion

This evaluation was based on the responses of a relatively small sample of participants in the Ramsey County Extension Service's project. Within this small group, however, there were numerous signs that this pioneering project achieved some concrete, positive changes in financial management behavior, as well as in the quality of life for program participants. Participants' responses to the evaluation questions showed decreased dependence on certain publicly funded resources, decreases in the number of unpaid bills, a trend toward savings, a higher degree of hopefulness, and a greater sense of control over financial affairs.

If plans for an outcome evaluation are

included in future projects, the extent of the changes can be more fully and more precisely measured. The apparent impact of this program on its participants should encourage future work with low income families in learning how to manage their finances.

**Marilyn Kennedy was a graduate student in education at the University of Minnesota when she did this project evaluation in 1994. She is currently a doctoral student in social welfare at Case Western Reserve University as well as a research associate with the Cuyahoga County Mental Health Research Institute in Cleveland, Ohio. In this position she has worked on several research projects related to mental health and has a particular interest in severe and chronic mental illness.**

**Kennedy was hired through a Community Personnel Grant to Ramsey County Extension Service to complete the evaluation reported here. CURA's Community Personnel Grants are designed to help organizations run by minorities or serving minorities and the disadvantaged by making the research or technical services of graduate students at the University of Minnesota available for short-term projects.**

## Since the CURA Evaluation

Ramsey County Extension Service continues to operate the project described in this report. Original funding from Ramsey County has been supplemented with funding from the Food and Nutrition Project of the University of Minnesota's Minnesota Extension Service, in collaboration with the Minnesota Department of Human Services.

The project has been strengthened to include a greater emphasis on shopping and budgeting for food, an important part of a family's budget as well as a significant factor in maintaining a family's physical well-being. It remains directed toward people who meet poverty guidelines—eligibility for food stamps is a base criterion for participation in the program. Various agencies refer people to the Extension Service, and after five years of operation, the program also attracts numerous self-referrals.

Marilyn Kennedy's evaluation attracted the interest of Ramsey County officials, and as the result of a meeting with county representatives, an additional \$20,000 was appropriated to continue funding the project. Ramsey County funding ends on June 30, 1996, but the Food and Nutrition Program will continue to fund the project.

### Credits:

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# Medicaid and the Challenge of Paying for Nursing Home Care

by Marlene Stum and Estelle Brouwer

Medicaid has become a word charged with meaning. To some frail elderly, it means they won't be turned out onto the streets when their money runs out, to others it means the government dole, pure and simple. To state and national policy makers, it represents a huge and growing piece of the budget and a vexing political problem with no easy solution. Do you cut Medicaid and make life even harder for the poor, or watch it continue to grow and eat up scarce resources that could be used instead for education, crime prevention, or a myriad other worthy purposes? When the nation's growing elderly population is factored into the equation, the decisions facing policy makers become even more challenging. Similar to other states, Minnesota's single largest category of Medicaid spending is for nursing homes, and total spending is increasing at an alarming rate. In 1993, skilled nursing care consumed one-third of Medicaid dollars spent in Minnesota—over \$705 million.

In reality, Medicaid is one critical piece of a complex patchwork of public and private programs that the elderly and their families, as well as state and federal governments, must try to understand when decisions are made about paying for long term care. There is no doubt that the existing long term care financing "system" is proving costly in many ways to the chronically ill, their families, and to the bureaucracies involved. Many questions exist about the roles that family resources and government programs, such as Medicaid, can or should play in financing long term care.

Medicaid-related headlines and ads for professional advice on "avoiding nursing home costs" have led policy makers to ask if elders who don't really need it are qualifying for and using Medicaid. Are families engaging in Medicaid estate planning, a practice of intentionally transferring wealth to other family members so that the elder qualifies for Medicaid coverage and avoids using personal assets to pay when long term care is needed? What family resources are really being used to meet the care needs of elders?

Few comprehensive studies have been published to date to determine the scope and prevalence of Medicaid estate planning. A recent study directed by the Minnesota Department of Human Services was the first to examine the extent and amount of asset

transfers among a sample of nursing home residents. To our knowledge no researchers have spoken in depth with elders or their families about their decision making with regard to financing nursing home care. Most research has taken a fiscal policy perspective and attempted to examine the impact of current practice on state or federal government expenditures. In this study, we look through a family policy lens at the decisions individuals and the professionals who advise them make about paying for nursing homes.

## Setting up the Study

The purpose of our research was to gain an in-depth perspective into family decisions about paying for long term care. Qualitative methods intended to help us gain a thorough understanding were used. During 1994 we interviewed forty-five families and sixty-five professionals. An advisory group was recruited to assist in refining the research questions, piloting data collection tools, and recruiting the sample. Group members included individuals with legal, consumer advocacy, and aging services expertise as well as representatives from government agencies related to long term care and professional organizations related to nursing homes.

Two types of families were recruited, those with an elder already in a nursing home (thirty-three families) and those with an elder diagnosed with a chronic illness but still living in the community (twelve families). Compared to the majority of the elderly population, these families were more likely to be dealing with decisions about paying for long term care. Roughly half lived in a metropolitan setting and half in a rural setting.

Families volunteered to participate in the study. They included a broad spectrum, from elders who lived on Social Security to millionaires, though a majority were middle class, with assets up to \$100,000 plus a home. Their children also ranged across the entire economic spectrum. About three-fourths of the interviews were with the one family member most involved in financial and care decisions—typically a spouse or an adult child. The remaining interviews included two family members, both involved in financial decisions. Elders who were still living in the community typically participat-

ed in the interview, while those in nursing homes were unable to.

Financial planners, attorneys (including legal service), accountants, county human service workers, Medicaid eligibility workers, and nursing home social workers were included in the professionals interviewed. They represented the continuum of professionals most likely to be involved in assisting family members from planning ahead to crisis decision-making. Up to ten individuals in each professional group were interviewed. They were also drawn from both rural and urban settings.

## Are Elders Planning Ahead?

Most of the elders in our sample had done some planning for retirement—but for a retirement both shorter and healthier than the one they were experiencing. Few had planned to live so long or to spend so much on health care. Denial of potential long term care risks and hope that they will escape such costs seems commonplace. Fear and worry about outliving one's assets were very real for some, especially those who were eighty-five or older. Fear about what the future might bring financially had some elders not refilling medications and doing without needed home care help.

*"You saved and were careful and thought you were going to travel and do things and all of a sudden it all goes for nursing home care."*

— Wife of husband with Alzheimer's in nursing home for four years

*"With either of the mothers, if you ever bring up planning ahead or financial issues, heavens, they are not old enough to discuss that. They both hope that they are run over by a car and will never have to face it (long term care)."*

— Daughter of mother and mother-in-law, both in mid-seventies

*"We've never seen or talked to anybody about financing...What we thought we'd do is go the way we are until we run out (of money) and then figure out what to do."*

— Husband with Parkinson's and caregiver wife

Planning ahead for many meant living frugally and investing life savings in certificates of deposit (CDs). Many vow to only use their saving's principal as a last resort. Daily needs are met with a combination of income from Social Security, personal investments, and a pension, if they are lucky.

A majority own a home with a paid off mortgage. It is not uncommon for two minimum wage-earners to have accumulated \$100,000 in savings over a lifetime, not including the value of a home. While many had worked hard to save, their accumulated assets seemed slight in relation to the \$4,000 a month nursing home care costs some were experiencing. A few elders were primarily living on Social Security income, getting along financially by living in subsidized housing, and limiting spending as much as possible.

While a majority of adult children spoke about the important role insurance could play in financial protection, only one couple had purchased long term care insurance as a result of their experience with his parents. A few families had been approached by long term care salespersons.

*"We checked out long term care insurance and were almost convinced to take a policy on me, but it was \$2,500 annually for that policy and I think people in our generation have a hard time with these high figures. It seemed as if I might pay that for twenty years before I needed it. My husband was not insurable due to his disease."*

— Wife in sixties of husband with Parkinson's

### What Goals do Families Have?

Decisions about finances and care frequently revolve around trying to meet one or more goals. Conflicts are typical as family members try to allocate limited resources among competing needs.

**Quality Care.** Family members consistently emphasize the priority of keeping the elder at home for as long as possible. Finding quality care to meet the elder's needs was a top priority. Paying for the care and how decisions impact on any inheritance seemed rarely to be the driving force in what decisions were made. Decisions clearly involved more than dollars and cents. Emotional, physical, and financial costs all had to be weighed.

*"You can't really think too much about the financial part at first. You live with hope, you keep thinking this will get better. I can't predict and I can't plan too much."*

— Wife of husband with Alzheimer's, now in nursing home

*"We are trying desperately not to go to a nursing home. As far as financing, we will just have to deal with that when the time comes."*

— Husband with Parkinson's and caregiver wife

The reality of not being able to predict or control an elder's health contributes to the worry and fear family members experience. How fast will the Alzheimer's disease progress? How much will medications be this month? Will the level of care needed at the nursing home change with costs possibly going from \$3,000 to as high as \$4,500 per month? Taking it one day at a time is often required given the unpredictable nature of chronic illnesses.



**Family members consistently try to keep an elder with a chronic illness at home for as long as possible. They help with caregiving as well as cash. At this stage, community-based services play a key role in making family caregiving manageable.**

**Financial Self-Sufficiency.** Care for a frail elder is most often viewed as a private, family responsibility. Family help with caregiving as well as cash is expected. "My fair share" was a phrase commonly used as families talked about their obligations. This typically meant providing informal care until it became too burdensome or until the elder's needs could no longer be met as well as using the elder's income and assets to pay expenses.

*"We feel that your assets are meant to take care of you during your lifetime."*

— Daughter of ninety-year-old mom in nursing home

*"For someone who never had more than what you'd call, a little better than minimum wage job, she had accumulated quite a bit of money. Financial security was very important to her. All her money will go for her care, but she will receive the same care whether she is on Medicaid or not—she's spent over \$90,000."*

— Daughter of mom with Alzheimer's

A majority of family members we interviewed expressed strong feelings about not wanting to rely on the government to pay for care except as a last resort.

*"Anyone who's been through the depression has a different outlook on things than my generation does. They have that old fashioned pride, I mean, to be on relief, would be just such a shameful thing that it just doesn't bear raising the question."*

— Daughter of mom in nursing home for two years

*"You have to do things you don't like. We sold the farm and used that money to pay for his care, but then it don't last long when it is \$3,000 a month. We've always taken care of ourselves and our family members, and I never wanted to feel like I should be a burden on the county, or state, or wherever it*

*comes from. He is on Medical Assistance [Medicaid] now and that bothers me. I haven't told him. I don't think he would like it, we have always been people who wanted to be on our own feet."*

— Wife of husband with Parkinson's

*"We thought about Medicaid divestment but it doesn't seem ethical. It's Mother's money, let's use as much of it as we can to take care of her."*

— Son of mother in nursing home

**Financial Control and Privacy.** Maintaining control over financial resources and their use is frequently mentioned as an important goal. Some elders even avoid getting advice from local professionals in order to keep financial asset information private. Family members sometimes spoke of avoiding Medicaid for as long as possible so they could maintain control over care decisions.

**Financial Security for Spouse.** Families often find that maintaining quality care for the elder competes head on with the financial security of the elder's spouse. Actions taken to protect the healthier spouse, if any, vary with the level of available assets, a spouse's age and health, and comfort level with spousal allowances under Medicaid. For many families ensuring that the healthy spouse has a place to live and sufficient income for daily living are priorities. Trying to figure out how long one's assets will last, when to cash in what to cover the bills, and how to protect the spouse is often too much for families to cope with at one time.

*"Every time we have to dip into savings to pay for some of Dad's care, it is a real concern to Mom that eventually she is not going to have anything."*

— Daughter of dad with dementia in nursing home

*"I'm not going to lose all that I have. I protected myself so they don't get it all. With my annuity and Social Security, I won't starve, but I'm not going to be able to do the things I planned on doing."*

— Husband of wife with dementia in nursing home

**Leaving an Inheritance.** While leaving an inheritance for the next generation is a desire and goal for some elders, it is a goal that few are willing to meet at the expense of providing quality care or financial security for their own generation.

*"Our preference would be to give the money to the kids, but I don't know if that is going to be possible. The kids don't expect to receive an inheritance, but they know they will get what's left, if there is anything left."*

— Husband with Parkinson's and wife

*"I guess that is the purpose of saving for your retirement—to carry you through, not to pass it on to the kids."*

— Son of father in nursing home

Parents often talked about the importance of being able to give small financial gifts to children and/or grandchildren as one type of legacy. Adult children spoke about not wanting to accept gifts from parents, especially when they saw them living so frugally on so little. It is not uncommon for adult children to be saving such gifts to "give back" if extra money is needed for a private room or for needed extras not covered in other ways.

*"Mom passed on \$5,000 to each child after talking to her family attorney. I don't agree with that personally because we don't really need the money, and she may need it to take care of Dad. Her thought was, well, I don't want the nursing home to get it all, it is my money, I'm going to do what I please, thank you!"*

— Son and daughter-in-law of father with Alzheimer's

*"I have a real problem with people who make themselves poor. I don't think it is morally right. I'm not saying they can't give some gifts, but to give away their assets so the state can take care of them. I think that is wrong."*

— Daughter of mom in nursing home

*"Mom has gifted \$2,000 once to each of us, but the money is set aside, and has been used for things for mother."*

— Daughters of mom with Alzheimer's

Most adult children found themselves questioning if parents have enough to live a quality life and often perceived themselves in a better position financially than their parents.

*"They keep wanting to give money to the children. And we keep saying we don't want it, if they can enhance their life now."*

— Daughter-in-law of two chronically ill parents

A majority of adult children talked about never expecting an inheritance given the realities of their parents' financial situation and the many unknowns associated with longevity.

**Protecting the Family Business.** Assets involved in a business were often treated differently from household income and assets. If the older generation was involved in a family business, such as farming, protecting the business so that it could be continued through the next generation of family members was often a critical goal.

### How Are Care Needs Being Met?

**Family Caregivers.** Every family story included the key role that family members' skills and resources played in keeping elders in their own home or apartment and independent for as long as possible. As other research has suggested and the families in this study confirmed, it is the private, informal resources of family members which provide most of the long term care for elders. The number of years that family members kept an elder independent ranged from one to fifteen (Table 1). Families with an elder in a nursing home had provided a mean of

almost six years of community-based caregiving, while those with elders still in the community had provided a mean of two and a half years of care. The "costs" for family caregivers—both direct and indirect—are numerous and typically go unmeasured and often unnoticed.

If there is a spouse, they are the likely primary caregiver regardless of gender or their own age. When there is no spouse, it is often a daughter or daughter-in-law who takes on the primary caregiving role. Most families have a system of multiple caregivers. Some family members specialize in certain tasks, whether it is helping out with daily living or transportation to a doctor.

**Community Support.** Community-based services play a key role in making family caregiving manageable. In almost all families with an elder currently in a nursing home, some type of community support prevented earlier placement in a nursing home (Table 1). Family members talk about the importance of having a range of options

**Table 1. The Context of Long Term Care**

Elder in Nursing Home (33 elders)		Elder in Community (12 elders)	
<b>Elder Characteristics</b>		<b>Elder Characteristics</b>	
Age		Age	
Mean:	87 years	Mean:	74.5 years
Range:	73-99 years	Range:	59-83 years
Gender		Gender	
Female:	21	Female:	7
Male:	12	Male:	5
Marital Status		Marital Status	
Married:	13	Married:	8
Widowed:	17	Widowed:	4
Never Married:	3		
<b>Long Term Care Received From:</b>		<b>Long Term Care Received From:</b>	
Family Caregiving (prior)		Family Caregiving (current)	
Mean/Family:	5.85 years	Mean/Family:	2.45 years
Range:	1-15 years	Range:	1.5-3 years
Total Years:	180.5	Total Years:	24.5 years
Live With Daughter:	3 elders	Live With Daughter:	2 elders
Community Support (prior number who used)		Community Support (current number using)	
Assisted Living:	8	Housing Options:	3
Formal Home Care:	4	Home Care:	5
Day Care:	2	Day Care:	4
Respite Care:	1	Transportation:	2
		Senior Meals:	3
		Home Maintenance:	3
		Support Group:	2
Nursing Home Stay		Nursing Home Stay (projected)	
Mean:	32.5 months	On Waiting List:	2
Range:	1-156 months		
Median:	24 months		

available in the community which are both affordable and provide quality care. They also talk about doing without needed services because they are unavailable, or not affordable, or because the elder refuses help from outsiders.

Many families spend down resources while the elder is in the community. It is not uncommon for assets from the sale of the home to be used for assisted living, or being able to live in an apartment or condo with some arranged services and support. Costs such as dental and eye care, prescription drugs, or insulin are typically paid for out-of-pocket.

Most families talk about how confusing it is to try and understand the constantly changing eligibility rules, benefits, and payments of various government programs and private insurance. For many, the fragmented delivery and financing of long term care is simply too much to absorb or understand without third party assistance, which costs even more.

**Nursing Homes.** A consistent and clear message from the families we interviewed was the desire to avoid nursing home placement. In reality, families often come to realize that nursing home placement may be the best way to meet the care needs of their elder. Feelings of guilt and failure for not having tried hard enough are commonly expressed by the caregivers, regardless of how overburdened or overloaded their role may have been. Caregivers continue to be intimately involved with the elder after placement in a nursing home. Daily visits are common for spouses as are frequent visits by adult children during the week.

Two of the families we interviewed had elders on a waiting list for a nursing home due to increasing care needs. Elders already in a nursing home were typically older, female, and widowed. Nursing home stays ranged from one month to thirteen years, with a median stay of twenty-four months (Table 1).

### Who is Paying for Nursing Home Care?

Of the thirty-three families in our sample with an elder in a nursing home, all but one had used family resources to pay for care during part or all of the stay (Table 2). Of the thirty-two who had entered as private pay patients, a majority (twenty-five) remained private pay while seven had spent down and qualified for Medicaid. Private pay stays ranged from one month to thirteen years, with a mean of just over two years. In our sample the average family, then, had spent \$75,000 on nursing home care with future costs still unpredictable. These expenditures followed the mean 5.85 years of informal caregiving and out-of-pocket payments for community support.

### What About Medicaid Estate Planning?

Awareness of Medicaid and the financial support it provides for nursing home care varies. Most families hope they will not need nursing home care. Even when an elder is

**Table 2. Nursing Home Payment Sources**

Private Pay (32 elders)		Medicaid (8 elders)	
Mean Time:	2.15 years	Entered on Medicaid:	1 case
Range:	1 mo. - 13 years	Time on Medicaid:	4 years
Mean Cost: 2.15 x \$36,000/yr.	\$75,000	Total Cost to Medicaid: 4 x \$36,000/yr.	\$144,000
Total Years:	75.2	-----	
		Spent Down to Medicaid:	7 cases
		Mean Medicaid Time:	1.8 years
		Range Medicaid Time:	1 mo. - 5 years
		Total Medicaid Time:	12.8 years
Total Cost: 75.2 x \$36,000/yr.	\$2,706,000	Total Cost to Medicaid: 12.8 x \$36,000/yr.	\$462,000

diagnosed with an incurable, debilitating disease and there are expectations of increasing care, a majority of families do not appear to be consciously planning how they will meet such needs beyond their own family resources.

Most families learn the details of Medicaid rules upon application to the nursing home and it is at that time that they begin to explore burial trusts and to specifically consider gifting allowed under the guidelines. Some families learn about Medicaid through support groups or through friends. One of the families in our sample had “programmed Mom for Medicaid” by establishing a trust in which Mom’s assets will be inherited by an adult child. In this family, informal care and assisted living had been provided and paid for with family resources for more than eight years prior to needing nursing home care. The inheriting adult child is paying the extra amount for a private room.

Another of the families in our sample, with an elder already in the nursing home, had planned to apply for Medicaid after reserving \$60,000 for nursing home care. Assets had been rearranged to provide financial security for the remaining spouse and some assets had been transferred to adult children with the expectation that these assets would be used for the frail spouse should the healthy spouse precede her in death. In this case, the Medicaid application was never filed as the frail spouse died after two months of private pay and seven years of intensive home care by the surviving spouse.

Of the seven families who spent down to become eligible for Medicaid, five did not mention any specific planning or divestment activities beyond a burial trust.

*“She still doesn’t know she’s on Medicaid. It would break her heart.”*

*— Daughter of mother in nursing home who spent down private resources*

*“You see, we didn’t think it would turn out this way. I feel really bad...I don’t want my mother on the dole, I think that’s terrible, but what else are we going to do?”*

*— Daughter of mom in nursing home who spent down private resources*

Of the three families currently in the Medicaid application stage, two had gifted \$2,500-\$8,000 to adult children with the expectation that those assets would be used to support the extra cost of a private room, which Medicaid does not cover. In both cases, these families had already spent over \$100,000 on the elder’s care, not counting informal caregiving.

An overwhelming majority of families who were private pay had estimated the number of years for which they thought they could cover care before assets were depleted and had no intention of divesting assets to qualify for Medicaid. In other cases, transfers may have been made to adult children, but sufficient assets remained to pay for the elder’s care for many years, if needed.

### Insight Into Planning

We interviewed sixty-five professionals in positions to offer advice or counsel to families. There was general agreement among them that most people are not planning far ahead for how they will pay for long term care. Many professionals said that people start thinking about how they will pay for long term care in the midst of a crisis. At the same time, however, many (especially financial planners) acknowledged that more people are planning for how they will pay for long term care today than were doing so a few years ago. They attribute this trend to two factors—the steep rise in nursing home costs and increasing media and community attention to planning options that are not explicitly forbidden by the law.

Families who are doing Medicaid estate planning are generally neither the very rich nor the very poor, according to the professionals. Many lawyers and financial planners told us they suggest to their clients who have assets in excess of about \$400,000 (excluding their home) that they don’t need to transfer assets because the earnings on their investment in any year would be sufficient to cover the cost of their care. They assume that people are most concerned about protecting their assets—the principal—and that they will be com-

fortable paying for their own care as long as they can do it out of their current income and not jeopardize their children's future inheritance or their own nest egg.

### Decision-Making Realities

In general, professionals find their clients have one of two philosophies—the "I lived through the Depression and I'll pay my own

way no matter what" philosophy or the "I've been a taxpayer all my life, I'm entitled to use government programs, and I'm determined to leave something for my kids" philosophy.

Nursing home costs are the long term care costs most feared by the elderly and their families. In Minnesota, they range from about \$30,000 to \$40,000 per year. To protect themselves, families are using a range

of options, including various forms of trusts (revocable, irrevocable, living), prepaid burials, life estates, and "gifting programs" carefully designed to meet the letter of Medicaid law. Overall, the professionals we interviewed said life estates are the most commonly used transfer option. It is a way of ensuring that the home will pass on to their heirs rather than being sold to finance nursing home care.

Clients rarely purchase long term care insurance, though some lawyers and financial planners actively encourage them to. Others believe it is not a wise investment—the premiums are too expensive for the less wealthy, while the wealthy don't really need it.

We observed some variations among the professionals in how they interpreted the law and Minnesota's Medicaid rules. One Medicaid eligibility worker, for example, reported, "I view a client who is very helpful to their aged parents with more compassion...I may read the rules a little tighter" for those who appear to be more greedy and haven't helped their elders out.

Professionals expressed varying degrees of comfort with current Medicaid law.

*"I try and do what the law allows, even if sometimes it makes me grit my teeth.... If it's legal and it's what they want to do, I'll do it for them, even though it wouldn't be my choice."*

— A rural Minnesota lawyer

*"I don't believe in giving away of assets."*

— A Medicaid eligibility worker in rural Minnesota

A Twin Cities financial planner made the point that current Medicaid law creates mixed incentives because it implicitly allows for asset transfer. "Is a financial planner doing wrong if they help individuals with assets play by the laws? Don't blame professionals for doing their job—change the laws instead."

While professionals generally approached their clients' situations from a rational perspective, they viewed their clients' decision-making processes as anything but rational.

*"They like to talk about it [planning], but very little action is taken until the crisis is created. I wish I had a nickel for every time someone had come in and said, 'Well, my husband just went in the nursing home. Now what do we do?'"*

— A financial planner

*"Most of the questions get asked by neighbors over coffee, or in the coffee shops.... That's where a lot of it starts.... And that's where the myths start too, and the horror stories get shared—over coffee. In fact, I've had calls in the middle of coffee. They're sitting with somebody and one of them will get up and call me. 'Is this true?'"*

— A financial planner

Many of the professionals interviewed reported that it is common for people to come to them with the assumption that Medicare will pay for their long term care, though Medicare pays long term care costs only under very limited circumstances.



**By the time an elder reaches the nursing home, families have often spent large amounts of time as well as income and assets. Nursing home care increases the costs to \$30,000 to \$40,000 a year.**

*"The families I deal with are under terrific stress, and they're angry that they're being thrown from one place to another. They can never get straight answers. If they get straight answers in one place, it doesn't prove true in the next place."*

— A Twin Cities attorney

*"People cannot comprehend why it costs so much, that people who earned \$3,000 to \$4,000 a year their entire life, from 1930 through 1950, and then maybe \$10,000 to \$12,000 a year in the '60s and '70s are now paying \$3,000 to \$4,000 per month to sit in a bed.... People know how much it costs, and it's totally out of relationship to what they perceive care should be. And that's why they want to beat it."*

— A lawyer from rural Minnesota

## Public Policy Implications

The delivery and financing of long term care is a complex policy issue which continues to be addressed through legislation, regulation, and enforcement. The experiences of the family members and professionals we interviewed offer important insights for policymakers as the debate about long term care continues.

First, it is important to recognize that both public and private resources are needed. Families as well as various public programs are already spending significant amounts of their own resources. Resources being used by families include caregiving skills as well as income and assets. Policymakers need to consider how far family resources can be stretched before needs go unmet and elders as well as family caregivers are at risk.

Claims that a majority of families are divesting and voluntarily becoming poor to qualify for Medicaid did not hold true for the families we interviewed. A few were divesting, and often in fairly small amounts. Gifts were often given with the expectation that they would be used to cover expenses not covered by Medicaid. The meaning of divestment and transfer of assets varies among family members as well as among professionals. It is also important to remember that not everyone who divests will eventually use Medicaid.

It is essential to understand the use of both private and public, human and economic resources through the continuum of long term care options, from informal to formal care. To only look at the use of resources in nursing homes, or in the community, or to ignore informal caregiving gives an incomplete picture of the total resources that are used and needed.

A systems approach is critical for understanding the true impact of long term care on families as well as on state and federal coffers. Transferring assets to qualify one's spouse for Medicaid, for example, may provide the financial protection a younger, healthier spouse needs to stay off Medicaid or other government programs in the future. The complexity of the system comes partly from the number of income streams feeding into long term care. Social Security, private pensions, Medicare, long term care

insurance, and subsidized as well as unsubsidized community-based services all play their part. To improve the current long term care "system" will require at least four types of changes.

- **Simplify and Integrate.** The current delivery and financing "system" is too complex in terms of access, eligibility, paperwork, and being able to understand who pays for what. Family members and professionals are spending limited resources on just trying to understand options and consequences before they can make informed decisions. The current system is a major source of frustration for family members trying to provide quality care for an elder. Some families "decide not to decide" because they are overwhelmed, and many families must rely on a variety of professionals in order to understand their options. Professionals struggle to keep up with changing policies and rules, and sometimes offer different interpretations of what the options are.
- **Build Supportive Systems.** Family members are trying to provide quality care for their elders and keep them as independent as possible. To do so, they need access to a continuum of long term care services in a variety of settings. They clearly prefer community-based care, but equal access, affordability, and quality issues must be addressed if such services are to be fully used. Services which assist and support informal caregivers as well as the elder can play a critical role in extending family and therefore public resources. Subsidized adult day care, for example, allows an informal caregiver to provide unpaid care, keep an elder at home, and prevent what may be much more costly institutionalized care.
- **Keep the Safety Net.** There are limits to families' availability and ability to pay. A continuum of quality community-based and nursing home care is essential to meet the needs of elders who are without social support or who have limited personal assets. The safety net needs to take into account the impact of eligibility criteria on both the elder's care choices and the financial protection for a remaining spouse. Without an adequate safety net needs will be unmet, caregivers will be overburdened, and spouses will risk financial insecurity. For some elders, Medicaid is the only option.
- **Provide Clear and Consistent Messages.** Families and professionals consistently emphasize the need for policies that provide more givens. As one adult child in his forties said, "If they keep shifting the target around, what most people find is that you never put an arrow into your bow. In other words, don't plan, don't set anything aside, because they are going to shift it on you and there is no point of doing it." The Minnesota legislature is

currently considering changes to make it more difficult to dispose of assets and still retain eligibility for Medicaid. The discrepancy between what is considered legal and what is considered proper confuses both families and professionals. Consistent messages would reduce the fear and worry about the use of private and public funds. Myths about who pays continue and need to be replaced with a realistic understanding of financing options and potential consequences for elders and their families as well as for state and federal governments.

**Marlene Stum is an associate professor of family social science at the University of Minnesota. Her research interests include the impact of long term care on family economic well-being and decision-making processes. Her teaching for the Minnesota Extension Service focuses on assisting families across Minnesota to make more informed decisions about management and security in later life. Estelle Brouwer is a research fellow in the Humphrey Institute, where she serves as program director for outreach and extension. A primary goal of her work is to build bridges between the work of the faculty, fellows, and students in the institute and the work of the Minnesota Extension Service. Her research interests include health care policy and the role that citizens and communities can play in health systems planning.**

**This article summarizes a larger study report on financing long term care by Stum and Brouwer which will be published by CURA later this year. Readers interested in receiving the full report may order a copy by calling CURA at 612/625-1551. The study was supported by an interactive research grant from CURA and the Office of the Vice President for Research, University of Minnesota. Interactive research grants have been created to encourage University faculty to carry out research projects that involve significant issues of public policy for the state and that include interaction with community groups, agencies, or organizations in Minnesota. These grants are available to regular faculty members at the University of Minnesota and are awarded annually on a competitive basis.**

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## POLICY AND GOVERNMENT

- Inventory of Public Policy Research Related to Greater Minnesota: Results of a Survey of University of Minnesota Faculty.** Thomas L. Anding, Barbara L. Lukermann, and Margaret R. Wolfe. 1995. CURA 95-3R. 31 pp. Free.

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# Project Awards

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In an attempt to keep our readers more up-to-date about CURA projects, we feature a few capsule descriptions of projects underway in each issue of the CURA Reporter. The projects listed this time are the project which won the Borchert Fellowship Award for 1996-97 and the visiting scholar at CURA for the 1995-96 academic year.

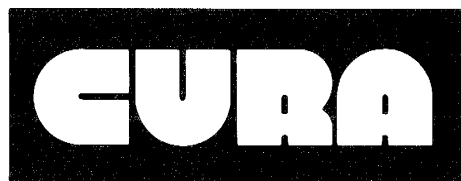
**Brownfield Sites in the Twin Cities Area.** In the central cities of the United States an increasing number of *brownfield* sites—land parcels that are vacant and contaminated—are being abandoned in favor of *greenfield* sites on the expanding edge of the metropolitan area. Ignoring such der-

elict sites has serious social consequences for those living near the sites, is wasteful, and may mean that the sites become even more expensive to clean up as contaminants spread. An advanced graduate student in geography will be studying the issues surrounding the redevelopment of such sites by examining a sample of brownfield sites in the Twin Cities areas. He will look at a number of issues: the scientific and engineering facets of environmental degradation; the ethical issues involved in land use planning; the federal, state, and local regulatory frameworks that impinge on the reuse of brownfield sites; and national and international experience in the planning and redevelopment of brownfield sites.

The Borchert Fellowship Award is granted each year to the best proposal from a geography student to study an issue of importance to the citizens of Minnesota. The award, made jointly by CURA and the Department of Geography, honors John R. Borchert, Regents Professor Emeritus and

the first director of CURA.

**Visiting Scholar Studies Urban Politics.** CURA's visiting scholar, Philip H. Wichern, is an Associate Professor in the Department of Political Studies at the University of Manitoba. He teaches urban and local government as well as U.S. and Canadian politics. Wichern earned an M.A. and Ph.D. from the Department of Political Science at the University of Minnesota. He worked for the League of Minnesota Municipalities and the Municipal Reference Bureau, then housed in the Social Science Tower at the University, before moving to Winnipeg in 1968. During this year's sabbatical, he is studying how urban problems and metropolitan government are handled in the Twin Cities (as compared with Canadian and other U.S. metropolitan areas). He is completing a textbook (*Urban Policy and Local Politics in Canada*) and has already written a chapter on metropolitan government in Canada for another book.



## reporter

Volume XXVI, Number 1 April 1996

CURA connects University faculty and students with the people and public institutions working on significant community issues in Minnesota. CURA helps:

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- students strengthen their education through practical experience,
- government agencies and community organizations get the assistance they request,
- and the University of Minnesota fulfill its land grant and urban missions.

The **CURA Reporter** is published four or five times a year to provide information about what CURA projects are doing. This publication is available in alternative formats upon request. Please call Judith Weir (612) 625-7501.

Thomas M. Scott, director; William J. Craig, assistant director; Judith H. Weir, editor; James Landman, associate editor.

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### CURA

University of Minnesota  
330 HHH Center  
301 19th Avenue S.  
Minneapolis, MN 55455

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