SELECT COMMITTEE ON EFFICIENCY IN GOVERNMENT

Long-Term Care Insurance Partnerships

Prepared by Sue O'Connell for the Medicaid Subcommittee
January 2012

Background
The Medicaid Subcommittee asked for more information in November 2011 about the status of the long-term care insurance partnership program authorized in state law. The law allows insurance companies to sell long-term care policies that protect all or a portion of a policyholder's assets if the person needs to apply for Medicaid coverage of long-term care.

Long-term care costs represent a large percentage of Medicaid costs. In 2004, Medicaid paid for nearly half of the $193 billion spent on long-term care. In contrast, private insurance policies paid for about $14 billion of the costs, or 7 percent.[1]

The stakeholder suggestion on this topic said the committee should review:

- the barriers to wider use of the program; and
- the promotion efforts undertaken by the State Auditor's Office and the Department of Public Health and Human Services (DPHHS).

The Auditor's Office regulates insurance companies. DPHHS administers the Medicaid program, regulates nursing homes, and offers programs for senior citizens.

This briefing paper provides information about the partnership program and related state agency efforts. It also presents options for subcommittee consideration.

The Evolution of the Long-Term Care Partnership Program
In the late 1980s, the Robert Wood Johnson Foundation initiated an effort in four states to shift more of the cost of long-term care to private insurance. California, Connecticut, Indiana, and New York set up so-called "partnership programs" that offered an incentive for buying long-term care insurance. People who bought the insurance could keep some or all of their assets if they used all their insurance benefits and then needed Medicaid.

When people who don't have insurance need long-term care, they usually must spend most of their assets before qualifying for Medicaid.

Before more states could begin similar programs, Congress in 1993 prohibited creation of new partnership programs. The ban remained in place until 2005, when the Deficit Reduction Act allowed all states to establish partnership programs that met certain requirements. The requirements included inflation protection, recognition of policies sold in other states, and dollar-for-dollar asset protection.

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[1] "Long Term Care Insurance: Partnership Programs Include Benefits that Protect Policyholders and Are Unlikely to Result in Medicaid Savings, *U.S. Government Accountability Office,* May 2007, P. 1.

The dollar-for-dollar protection means that a person who purchases a private policy with an $80,000 value can exempt $80,000 in assets if the person needs to apply for Medicaid to pay for continued long-term care. The person must exhaust the benefits of the private insurance policy before receiving Medicaid coverage.

Nursing home care costs averaged $5,376.50 a month in Montana in 2010, or about $64,500 a year.[2]

Partnership Activity In Montana

Over a 12-year period, Montana took the following steps to put in place a partnership program:

- **1997**: The Legislature passed a bill authorizing the creation of long-term care insurance partnerships, to be effective on repeal of the federal prohibition.
- **2005**: The Legislature passed a bill ensuring the 1997 law would go into effect.
- **2007**: The Legislature further refined the law based on model legislation from the National Association of Insurance Commissioners (NAIC).
- **2008**: The State Auditor's Office adopted the NAIC's model rules.
- **2009**: DPHHS amended its rules and the state Medicaid plan.

Montana is now one of 40 states offering approved partnership policies. Currently, 13 insurance companies sell approved partnership policies in Montana.

State Promotional Activities

To inform consumers and insurance companies about the partnership program, the State Auditor's Office:

- has included information on partnership policies in several publications and is developing a separate brochure specific to the policies;
- issued bulletins to long-term care insurance companies in September 2007 and February 2010 to outline the requirements for sale of the policies; and
- has provided links on its Web site to its publications and to a list of the companies that offer partnership programs.

DPHHS also provides links on its Web site to information about long-term care costs and insurance, including links to the State Auditor's consumer publications. It also has put online information the agency published in 2010 that is specific to the partnership policies. The publication provides an example of how a policy could protect assets. It also lists the companies authorized to sell policies in Montana.

Barriers to Purchase of Partnership Policies

[2] Marsha A. Goetting, "MontGuide: Medicaid and Long-Term Care Costs," *Montana State University Extension Service*, Oct. 10, 2010, P. 1.

Analyses of the long-term care insurance partnerships generally note the following barriers to increased use of the partnership policies:

- a person must buy an insurance product;
- no guarantee exists that a policyholder will need the insurance benefits or Medicaid coverage; and
- many of the people who can afford to buy the policy are able to pay for their own long-term care costs, without buying an insurance policy to do so.

In addition, a 2007 analysis by the Government Accountability Office noted that insufficient data existed at that time to determine whether the partnership programs would increase or decrease Medicaid spending. It noted that many policyholders had not yet needed long-term care.[3] As a result, they had not yet needed to use the policy's benefits or apply for Medicaid coverage.

Options for Subcommittee Consideration

Based on the information received in the course of its work, the subcommittee may want to recommend to the full committee that it:

1. Find that increased purchase of long-term care insurance partnership policies may benefit both individuals and the state by protecting Montanans from having to impoverish themselves to apply for Medicaid and by reducing state Medicaid costs.

2. Approve drafting of legislation requiring the State Auditor's Office and/or DPHHS to take specific steps to promote the purchase of long-term care insurance partnership policies.

   NOTE*: If the subcommittee believes legislation is needed, it may want to consider whether to recommend that a committee bill include an appropriation to pay for additional promotion.*

3. Approve drafting of a resolution noting the benefits of long-term care insurance partnership policies and encouraging Montanans to consider buying the policies.

4. Ask the State Auditor's Office and DPHHS to take additional steps to encourage people to purchase the insurance.

5. Find that the State Auditor's Office and DPHHS have taken appropriate steps to inform consumers of the benefits of long-term care partnerships and to inform insurers of the requirements for selling the polices. Take no additional action.

6. Pursue other options identified by the subcommittee.

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[3] "Long Term Care Insurance: Partnership Programs Include Benefits that Protect Policyholders and Are Unlikely to Result in Medicaid Savings, *U.S. Government Accountability Office*, May 2007, P. 5-6.