Consumers and State Partnerships for Long Term Care

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Consumers Need---

◆ High quality, reliable products with no surprises

◆ Understandable disclosures documents

◆ Well trained agents

◆ Strong state oversight of the program
Taking Time To Do It Right

- Insurance departments and state Medicaid directors must work together
  - Establish good communication and clear understanding of the responsibilities of both parties
    - Insurance department personnel must understand Medicaid eligibility, benefits, coverage, and estate recovery rules
    - Medicaid directors and staff must understand how long term care insurance benefits compare/contrast with state Medicaid benefits
    - Both must understand and agree on a the program’s operation, a process for training agents, and a process for verifying agent understanding of the state Partnership program
State agencies should establish clear rules

- Agent participation
- Agent training and verification
- Programmatic and operational rules to avoid inappropriate sales and replacements
◆ Develop and require mandatory standardized explanations and disclosures

○ Eligibility for state Medicaid program

○ Asset protection

○ Estate recovery rules
Products

◆ State program should ensure Partnership products meet high standards established by the state

● Opportunity for state to improve on minimum federal standards for all policies sold in the state

■ For instance, minimum federal standards do not include:

● NAIC required disclosure of availability and location of SHIP counseling services

● NAIC required marketing and training for agents

● NAIC Rate Stability requirements
Pricing of Practices

◆ NAIC Rate Stability (Sections 19 and 20)
  designed to prevent or mitigate rate increases in policies approved after the date of state adoption

◆ Recent market consolidation

◆ Profitability lower than expected
Agent Training

◆ Agent education is crucial
  ● To protect consumers
  ● For the success of the program
  ● NY and CA require 8 hours, IN and CT require 7 hours

◆ The Deficit Reduction Act (2005)
  ● Requires “Medicaid agency provides technical assistance to insurance department to assure that agents receive training and demonstrate understanding of policies and public benefits”
Draft amendments requires anyone who sells, solicits, or negotiates long term care insurance to complete:

- A one-time training of 8 hours
- Ongoing training
  - Every 24 months of 4 hours
◆ Specifies elements of training

- State and federal regulations, relationship between qualified state long-term care insurance Partnership programs, other public and private coverage of long-term care services, including Medicaid;
  - Available long-term care services and providers;
  - Changes or improvements in long-term care services or providers;
  - Alternatives to the purchase of long-term care insurance;
  - The effect of inflation and the importance of inflation protection
  - Consumer suitability standards and guidelines

- Cannot include sales or marketing information or insurer or company specific products
Burden of responsibility and proof delegated to insurers

- Insurers required to verify agents have taken training before allowing them to sell

- Insurers required to verify agents have demonstrated an understanding of the Partnership policies and their relationship to public and private coverage of long term care, including Medicaid

- Insurers required to maintain records and make available to insurance department
Asset Protection Standards

◆ Asset protection should apply to all covered benefits
  ○ Regardless of whether Medicaid covers those services as part of the state Medicaid program

◆ Asset protection reciprocity
  ○ Critical to portability of products
    ■ For younger purchasers unlikely to use benefits where they were purchased
    ■ Older insured's who must move from the state of purchase
      ○ Need close proximity to family caregivers
Inflation Protection

◆ Built in and compounded OR periodic increases?

- Built in
  - Expensive component at purchase
  - Prevents decreasing value of benefits over longer life spans

- Periodic increase
  - Defers expense of adding inflation protection
  - Increases chances that benefits will decline in value
  - May trigger Medicaid eligibility sooner
Questions

◆ **States**
  ◆ Will states save Medicaid dollars?

◆ **Consumers**
  ◆ Will Partnership policies pay benefits when needed AND protect promised assets?

◆ **Companies**
  ◆ Will Partnership policies stimulate sales?

◆ **Agents**
  ◆ Can agents convert from selling against Medicaid?
    - California experience
Resources

◆ California Partnership home page
  □ www.dhs.ca.gov/cpltc

◆ Statute and Regulations
  ● Welfare and Institutions Code SECTION 22000-22010
  ● California Code of Regulations, Title 22, Division 3, Chapter 8.
    □ www.leginfo.ca.gov

◆ Data base of rate increases
  ● By company and state since 1990
    www.insurance.ca.gov
◆ Consumer information

• www.insurance.ca.gov
• www.cahealthadvocates.org
• www.calmedicare.org

• California Buyers Guide
  ■ Taking Care of Tomorrow (Department of Aging)

• The NAIC Guide for Long Term Care Insurance
  ■ http://www.naic.org/consumer_home.htm

◆ AARP Public Policy Institute Report

■ Comparing Long Term Care Insurance Policies: Bewildering Choices for Consumers
  • http://www.aarp.org/research/longtermcare/resources/2006_13_ltc.html