THE LONG-TERM CARE PARTNERSHIP PROGRAM: What Role Will It Play in Broader Long-Term Care Policy?

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DRA LTC Carrots

• A National LTC Insurance Partnership to be developed with input from the NAIC, LTCi companies, the current Partnership states, other states and representatives of consumers with LTCi policies

• A National Clearinghouse for LTC Information is to be created to educate consumers regarding Partnerships and to help people do LTC planning, with objective advice as to LTCi or other solutions
DRA LTC Sticks

• Lengthened asset transfer look-back period for establishing Medicaid eligibility from 3 to 5 years and changes the penalty start date from date of transfer to date of eligibility.

• Requires annuities to be disclosed and states named as beneficiary for Medicaid costs.

• Excludes those with home equity in excess of $500K (up to $750K at state discretion), except if child or spouse resides in home.
Partnership Features

• Inflation Protected Quality
• Balance cost/quality trade-off
• Consumer education campaigns.
• Uniform reporting for insurers.
• Asset Protection models:
  -- Dollar for dollar
  -- Total assets
  -- Combo of these
Asset Protection Incentive - $dollar-for-dollar$

<table>
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<tr>
<th>Assets</th>
<th>Insurance</th>
<th>Spend-down Protection</th>
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<td>$50k</td>
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<tr>
<td>$500k</td>
<td>$300k</td>
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Partnership Positives

- Efficient subsidy.
- Helps avoid Medicaid gaming.
- Helps avoid impoverishment.
- Improves important working relationships.
- Improves consumer confidence.
- Mitigates means testing concerns.
Partnership Problems

• Targeting challenges.
• Distribution channel reluctance.
• State-by-State filing burden.
• Reciprocity of asset incentive
• Medicaid unevenness and changes.
National Partnership Features

• Grand-fathers existing Partnership programs
• Allows only for dollar-for-dollar offsets for group and individual coverage
• Tax Qualified policies only
• The policy must meet NAIC 2000 model act requirements
National Partnership Features

- Inflation protection required
  - Below age 61, undefined “compound annual inflation protection”
  - For ages 61-76 “some level of inflation protection”

- Agents and brokers must have Partnership training
National Partnership Features

• Insurers must provide uniform data set reporting to central government repository

• No special Partnership policy features can be mandated, except for those above.

• Any mandated provisions for non-Partnership policies can also apply to Partnership policies
National Partnership Features

• Secretary of US DHHS must develop standards for **uniform reciprocity** of Partnership policies among Partnership states, but states could ask to be exempt from such requirements

• Annual DHSS reporting of the impact of the Partnerships on a) access to LTC and Medicaid and b) Medicare and Medicaid expenditures
Sales Grow Faster in Partnership States

- Normalized sales as of 1993

- Partnership states had 23% higher sales compared to other states in 2000-01
Lessons Learned

- Make It Simple
- Agents as Partners
- Comparability to Non-Partnership Policies
- Estimated savings to Medicaid in CA, CT, IN to date $21+ Million
Partnership Cost-Effectiveness Dynamic

Partnership Counts for All Carriers Since Program Inception*

- Few Partnership Policyholders Have Accessed Medicaid To Date
- Only 8% of LTCI Policyholders Exhaust a 3-Year Benefit Plan

* State Partnership Websites – June 21, 2005 (CA, IN – 3/05; NY – 6/04; CT 12/04)
Status To Date

• State Plan Amendments
  – Idaho approved effective 11/1/06
  – Minnesota, Nebraska, Georgia, Florida filled
  – Virginia soon

• Other States of Actively Considering
  – CO, DE, IL, IA, KS, MD, MA, MT, MO, NJ, OH, OK, PA, RI, SC, SD, TX, WA, WI
Time Tables

• Legislation Passed: February 2006
• CMS Guidance Issued: July, 2006
• DHHS Consultation with Stakeholders:
  – Individual meetings ongoing
  – Group Meetings December
• Guidance on Reciprocity: January, 2007
• Regulations on Data Requirements: Early 2007