SENATE FINANCE AND CLAIMS
EXHIBIT NO. 2
DATE 3-7-05
BILL NO. SB 358

LONG TERM CARE INSURANCE PARTNERSHIPS

Background: One of the strategies used by many states to help control the rate of growth in Medicaid nursing home expenditures is to encourage individuals to purchase Long Term Care (LTC) Insurance. The obvious intent of this policy is to give people greater control over their long term care future and to reduce the number of people who rely on Medicaid to fund their nursing home care. Since 1997 Montana has taken several steps to encourage the purchase of LTC insurance, including providing a state tax deduction for the full cost of any LTC insurance premiums paid on behalf of yourself, spouse, parents or grandparents. In 1997 the Montana legislature also adopted Senate Bill 69 which authorized DPHHS to develop a Long Term Care Insurance Partnership program if certain changes to federal law were to occur.

Long Term Care Insurance Partnerships: The purpose of an LTC Insurance Partnership is to encourage individuals to purchase private long term care insurance policies to provide for their potential long term care needs and in return protect certain individual assets when determining Medicaid eligibility if and when their private long term care insurance is exhausted. Under LTC Insurance Partnerships individuals may qualify for special treatment of their resources if they purchase a long term care insurance policy certified by the commissioner of insurance and the department prior to becoming eligible for medical assistance benefits. There are currently two L TC Insurance Partnerships models.

1. Under the Dollar for Dollar model <u>Medicaid disregards an amount of an individual's resources in determining medical assistance eligibility by one dollar for each dollar paid</u> out to the individual under the individual's long term care insurance policy.

2. Under the Total Asset model <u>Medicaid disregards all of an individual's resources</u> in determining eligibility for medical assistance after all of the individuals long term care insurance benefits have been exhausted under an insurance policy providing coverage for a specific length of time.

Four states, California, Indiana, New York and Connecticut currently operate LTC Insurance Partnership Programs under a waiver from the federal government that "grand fathered" in their existing programs in 1993. Other provisions in federal law also adopted in 1993 make it much less attractive for other states to participate in LTC Insurance Partnerships. However, the President's 2005 Executive Budget proposal includes a provision to modify the requirements of Title XIX of the Social Security Act, 42 U.S.C. 1396 et seq., in a way that will make Long Term Care Insurance Partnerships more feasible for other states, including Montana, without the need to seek a waiver similar to the one granted to the four states now operating a Partnership program.

If the President's proposed changes become law the conditions of SB 69 will be met and DPPHS could proceed to develop a LTC Insurance Partnership program. Even if the changes are not adopted the climate may be right to pursue a federal waiver similar to the one that enables the grand fathered states to operate their programs.

DPHHS Position: DPPHS is interested in pursuing a Long Term Care Insurance Partnership program in Montana using the Dollar for Dollar model. While any significant savings in Medicaid nursing home expenditures that result from implementing a Partnership program will not be realized until sometime well into the future, the staff of the Senior and Long Term Care Division believe that, done correctly, a Partnership program will further stimulate the purchase of private long term care insurance and restrain the growth of Medicaid over the long term.

Projected Impact: There are no immediate fiscal or programmatic impacts resulting from the implementation of a LTC Insurance Partnership program. The intent of the program is to encourage individuals to purchase high quality long term care insurance policies as an alternative to Medicaid Estate Planning. Done correctly, a LTC Insurance Partnership should result in reduced Medicaid expenditures over the long term. Keys to ensuring the desired savings include requiring that the insurance policies approved by the state provide sufficient coverage and benefits, and adopting the more conservative Dollar-for-Dollar model, rather than providing unlimited protection of total assets. In addition to the potential for Medicaid savings, successful LTC Insurance Partnerships give people greater control over their own care and services, and increase their ability to pass on some portion of a lifetime of earnings to their families.

Potential Council Recommendation: DPHHS should pursue a Long Term Care Insurance Partnership program using the Dollar for Dollar model, either by requesting a federal waiver or in response to the change in federal law required by Senate Bill 69.