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Senator Mike Cooney, Chair
Senate Finance Committee
Montana State Capitol
Helena, Montana

Testimony in Support of SB 358, Long Term Care Partnership

Mr. Chairman and members of the committee, my name is Claudia Clifford, advocacy consultant for AARP Montana and its 143,000 members in this state. I am here today because 86% of our members said in a survey prior to the session that "access to affordable health care is a top legislative priority, and 73% of members feel "remaining in their homes as they age" is also important.

SB 358 provides an opportunity for the State of Montana's Medicaid Program to seek a waiver with the Department of Health and Human Services that could enhance incentives for the Montana consumer to consider long term care insurance to pay for long term care services. Medicaid is the nation's long term services and supports safety net that paid \$82.1 billion in 2002, or 34% of the nation's total expenditures, with 70% towards institutional care and 30% to home and community based services. For nursing home care alone, Medicaid pays between 45% and 51% of the nation's costs. AARP recognizes that financing of long term care services must also consider private-sector options, which include private insurance, reverse mortgages and "living benefits" that certain life insurance policies offer. AARP supports a number of strategies to encourage the purchase of long term care insurance, including individual tax incentives, encouraging employers to offer LTC insurance as a tax-free benefit, and consumer education.

A key "incentive" that could be considered with this legislation is to modify the asset test for Medicaid for those people who purchase long term care insurance. Those people who exhaust their insurance coverage would be eligible for Medicaid without having to spend down a comparable amount of their assets. **The design of this incentive must be done carefully or there may be an increase in Medicaid nursing home expenditures** if people with significant assets are able to access Medicaid services more easily. These additional beneficiaries could draw on resources needed by the truly impoverished people who need the care.

LTC insurance, especially the more comprehensive policies that provide meaningful coverage and appropriate consumer protections, is relatively expensive. (Premiums in 2001 for a policy that covers 4 years of care were \$849/year for a person age 50 and \$5,821 for someone age 79.) Most Montanans cannot afford these premiums in addition to all their other living expenses.

Linking Medicaid to private long term care insurance can be done if the program

- does not endanger the Medicaid safety net for low-income people who need long term care services,
- requires purchase of long term care insurance with strong consumer protections, such as nonforfeiture and inflation protection, premium stability, and clear disclosure of current income requirements for Medicaid benefits and the possibility that the state can change eligibility requirements;
- ensures that policyholders are permitted to spend down to meet Medicaid income eligibility requirements under the medically needy program;
- guarantees the types of services, in particular home and community based services, that the state would provide to eligible partnership policyholders under Medicaid; and
- monitors admissions to nursing homes to ensure equal access to everyone on the waiting lists.

AARP is very active in our work to educate consumers on the numerous financial options, including insurance, to pay for long term care.

Thank you for the opportunity to provide testimony on SB 358 and AARP Montana looks forward to working with the agency and Health and Human Services to address the above concerns during the waiver application process.