

Long-Term Care Insurance Partnership Programs

Background – The long-term care insurance (LTCI) partnership program was developed in the 1980s to encourage people who might otherwise turn to Medicaid to finance their long-term care (LTC) to purchase LTCI. If people who purchase qualifying policies deplete their insurance benefits, they may then retain a specified amount of assets and still qualify for Medicaid, *provided they meet all other Medicaid eligibility criteria*. Currently, these programs operate in four states: California, Connecticut, Indiana, and New York. Table 1 illustrates the current number of policies in force and the number of people receiving partnership policy benefits in the participating states.

Table 1

State	Policies in Force	Number Receiving Partnership Benefits
California	64,915	343
Connecticut	30,834	141
Indiana	29,189	83
New York	47,539	642
4 State Total	172,477	1,209

Source: Government Accountability Office, 2005.

Demographics of Purchasers – Although the partnership program was intended to attract lower- to middle-income Americans (the cohort most likely to spend down to Medicaid), state policyholder surveys indicate that most purchasers have substantial assets. The majority of purchasers in California, Connecticut, and Indiana had assets in excess of \$350,000.¹ In contrast, the average person age 55 or over has less than \$50,000 in assets.² The New York program, unique in that it allows *unlimited* asset protection for purchasers, has primarily attracted higher-income purchasers, because of this feature and its resulting higher premium costs.

¹ California and Connecticut instructed respondents to exclude the value of their homes; Indiana instructed them to include home value.

² Excluding home value.

Expansion – The Deficit Reduction Act of 2005 (DRA 05) now allows *all* states the option to enact partnership policies. Policies in these *new* programs must meet specified criteria, including federal tax-qualification, identified consumer protections, and inflation protection provisions.

Compound annual inflation protection will be required for purchasers below age 61, although states can determine the percentage rate (e.g. 3 percent, 5 percent, etc.). “Some level of inflation protection” (not defined) will be required for purchasers between the ages of 61 and 75. Also, DRA 05 requires the U.S. Department of Health and Human Services to develop a reciprocity agreement, enabling purchasers to use their benefits in other partnership states; however, states may opt out of this reciprocity.

At least 21 states, anticipating a change in federal law, already have enacted authorizing legislation. These states are listed in Table 2.

Table 2

States with Partnership Legislation		
Arkansas	Iowa	North Dakota
Colorado	Maryland	Ohio
Florida	Massachusetts	Oklahoma
Georgia	Michigan	Pennsylvania
Hawaii	Missouri	Rhode Island
Idaho	Montana	Virginia
Illinois	Nebraska	Washington

Source: National Association of Health Underwriters Web site, 2006.

Impact of Partnership Programs on Medicaid Spending

– Whether the partnership programs will help save the Medicaid program money is a major policy question. Proponents argue that, by deferring the use of Medicaid for those who otherwise would spend down their assets and qualify for benefits, people who purchase partnership policies will reduce Medicaid’s spending on LTC.

Others argue that partnership programs will qualify people for Medicaid who otherwise would never have used the program: their own assets would have paid for their LTC costs. Moreover, some argue that, if Medicaid is intended to be a safety net for people with few assets and limited incomes, partnership programs could deplete Medicaid resources by qualifying people for benefits who can, and should, finance their own services. Partnership policies have the potential to save Medicaid dollars if they are purchased by people who would *not* have bought other (non-partnership) policies. If, instead, these policies *replace* LTCI policies that do not include Medicaid asset protection, then they may result in higher Medicaid spending. So far, the data are inconclusive because the programs are still relatively new and few purchasers have begun to use benefits.

Issues and Concerns – With the likely expansion of LTCI partnership programs into additional states, *consumer education* is critical. The addition of a partnership option in a growing number of states will add a layer of complexity to the already-difficult process of deciding whether to buy LTCI and, if so, which policy to purchase. While partnership programs allow purchasers to protect a certain level of assets if they deplete their insurance benefits and qualify for Medicaid, many consumers do not understand that Medicaid eligibility is not automatic. To qualify for Medicaid, individuals must meet the state's income and functional eligibility criteria, which may change by the time they apply for Medicaid.

Regarding *income*, the GAO reported that about half or more of the purchasers in three states had average monthly incomes of \$5,000 or more. To meet Medicaid's income eligibility, most states require that monthly income not exceed 300 percent of the federal Supplemental Security Income (SSI) amount (300 percent of SSI is \$1,809 per month in 2006) or the monthly cost that Medicaid pays for nursing home care (which averaged \$3,540 in 2002). While married individuals can protect additional income for a community spouse and qualify for Medicaid, only about 15 percent of nursing home residents are married. As a result, *many who have purchased partnership policies may never qualify for Medicaid because their incomes are too high.*

Another issue is *functional* eligibility. To receive LTCI benefits from a partnership policy, one generally must be cognitively impaired or need assistance with two or more activities of daily living (such as bathing or dressing). To meet Medicaid's functional eligibility criteria for LTC, most states have more restrictive disability criteria, often including medical needs. This may prove to be a problem for purchasers who deplete their partnership benefits and then cannot qualify for Medicaid.

Finally, the *ability to remain at home* is a potential issue for consumers. While consumers express an overwhelming preference to receive LTC services in their homes or in community-based settings, Medicaid beneficiaries have *no entitlement* to receive these benefits. A partnership purchaser who qualifies for Medicaid after depleting his or her insurance benefits may be able to receive services only in a nursing home, depending on the state's eligibility criteria for HCBS and whether there is a waiting list for services.

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By Enid Kassner
AARP Public Policy Institute
601 E St., NW,
Washington, DC 20049
202-434-3863; email: ppi@aarp.org
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