# *Long-Term Care Partnership for North Carolina*

## Long-Term Care Partnership (LTCP) in North Carolina

- Section 10.10 of SL 2006-66 authorized the Department of Health and Human Services to develop a Long-Term Care Partnership (LTCP) program for North Carolina
- The LTCP is an alliance between the North Carolina Division of Medical Assistance and the North Carolina Department of Insurance
- Both agencies are in support of establishing a LTCP in North Carolina

# Why LTCP?

•Increase in number of people (baby boomers) seeking long-term care (LTC)

•Changing nature of retirement resources

- Shift from defined benefit to defined contribution
- Rapid expansion of reverse mortgages
- Low savings rate in 401Ks & IRAs

•Long-term care last major cost over lifecycle

•BOTTOM LINE: The long-term care needs of baby boomers have the potential to overwhelm Medicaid's pay-as-you-go financing

## Long-Term Care Insurance (LTCi)

- Type of private insurance policy that covers various long-term care (LTC) services
- Sold individually or through groups such as employers
- Designed for middle and upper income individuals who want to protect considerable financial assets and can afford to pay premiums

# Long-Term Care Insurance (LTCi) cont...

- Policy types and premiums can vary by age, health status and gender
- Policies vary by:
  - Length of coverage
  - Types of services covered (i.e. nursing home, assisted living, home or community- based care)
  - Other factors
- Policies reviewed and approved by the NC Department of Insurance (NCDOI)
- NCDOI’s SHIIP provides consumer education and counseling

# Long-Term Care Partnership (LTCP)

•A public-private program between state Medicaid agencies and private insurers offering LTC insurance

•Designed to encourage the purchase of long-term care insurance

•Aimed at middle and upper-income individuals who:

- Want to plan for possible long-term care needs
- Have considerable assets to protect
- Can afford a long-term care insurance policy

•These policies protect assets while allowing for access to long-term care benefits through the state Medicaid program

•Policy holders who exhaust private coverage and still need LTC benefits can access Medicaid without the usual spend down routes.

# DHHS & DOI Support LTCP

- LTCP provides an additional option for purchasers of LTCi especially middle income persons. It opens the door to the moderate earner who wants to have control of long-term care services.

- Encourages persons to look at future costs and plan for long-term care costs. The availability of the product may generate interest and awareness among a broader audience of purchasers.

- LTCP will reduce demand for public funds and ultimately save Medicaid dollars.

- LTCP products have rich benefits therefore the plans will likely be adequate for covering one’s long-term care needs.

- Any delay in a person going on the state Medicaid roster is savings to the state.

# History of the LTCP

•In 1988, the Robert Wood Johnson Foundation (RWJF) funded its development in four states

- California, Connecticut, Indiana and New York

•Purpose was to expand LTCi options to consumers and slow the growth of Medicaid expenditures

•Omnibus Budget Reconciliation Act (OBRA) of 1993 restricted ability for additional states to replicate Partnership programs because state laws required states to pursue state recovery of assets protected by the Partnership upon death of beneficiary

# LTCP Expansion

- Deficit Reduction Act (DRA) of 2005 lifted restrictions and allowed additional states to participate by permitting states to exempt LTCP benefits from estate recovery as long as the state had a “State Plan Amendment” which provided for a qualified state long-term care partnership

- The DRA designated dollar-for-dollar as the model new partnership states could implement

- There are 33 states who have LTCP programs

# Dollar-for-Dollar Model

- Allows individuals to buy a LTCi insurance policy that protects a specified amount of assets
- Every dollar the insurance company pays out in claims will be deducted from resources counted when considered for Medicaid application – Also referred to as Resource Disregard
- Every dollar of resources protected at estate recovery is equal to the amount of resources disregarded at the point of Medicaid application
- For example: If $50,000 were paid out in claims, $50,000 of an individual’s assets would not be counted when he is being considered for Medicaid and is the same amount of resources that will be protected in estate recovery

# LTCP Savings to State

•To date states with LTCP indicate a savings to the state. These savings are a result of the following:

- Delays in Medicaid enrollment
- An increase in insurance purchases
- Improved insurance products

•Medicaid savings

- Connecticut $8,368,918 as of 2nd Quarter 2009 (1992)*
- Indiana $4,759,346 as of 3rd Quarter 2009 (1993)*
- California $21,102,075 as of 3rd Quarter 2009 (1994)*

*Year state implemented LTCP

# Basic Features of LTCP required by DRA:

- Inflation Protection
- Reciprocity
- Tax Qualification

# Inflation Protection

- Requires an increase in benefits over time to ensure that the policy maintains meaningful benefits in the future

- The DRA requires age-specific inflation protection for Partnership policies
  - Age 60 or younger: annual compound inflation protection
  - Age 61-75: some type of inflation protection
  - Age 76 or older: inflation protection is not required

- NC LTCP will adopt DRA guidelines

# Reciprocity

•Allows policyholders to purchase a policy in North Carolina, move to another state, and still receive asset protection from the Medicaid program in their new state of residence however, policyholders are subject to the reciprocity of the state in which they reside when they use their LTCP policy.

•DRA required the development of reciprocity standards

- Benefits paid under the Partnership policies will be treated the same in all Partnership states
- States who choose not to be subject to reciprocity standards must opt out of these agreements
- States can choose to opt in or out of reciprocity agreements at any time
- 30 new states have reciprocity including 2 original – Connecticut and Indiana

•LTCP recommendations support NC as a state of reciprocity

# Tax Qualification

•Health Insurance Portability and Accountability Act (HIPAA) of 1996 established that long-term care insurance policies meeting certain standards would be deemed “federally tax qualified” and would offer certain tax advantages

•Policyholders can include all or a portion of the premiums as a federal income tax deduction

•LTCP plans must be tax qualified

# Policy Disclosure

- Will be provided at the point of sale and at delivery of the LTCP policy
- Explains benefits associated with the policy
- Indicates the LTCP status
- References DOI’s SHIIP Division for information and assistance

NCDOI

# Agent Training

- DOI is ready to adopt standards set by the National Association of Insurance Commissioners (NAIC) for LTCP salespeople

- The NAIC standard includes:
  - Initial 8 hour training
  - 4 hours continuing education

NCDOI

# What About Medicaid?

- Provides for disregard of resources in determining Medicaid eligibility for cost of care
- Provides for protection of resources at estate recovery
- Only disregards/protects resources owned by the individual
- Amount protected is equal to the amount of LTCP policy benefits used as date of application for Medicaid

# Medicaid Example

- Individual purchases LTC Partnership policy 1/15/2011
  - -$250,000 in assets, policy coverage is $300,000
  - -Enters LTC on 6/20/2013 and begins to use policy benefits
  - -Applies for Medicaid on 5/15/2015
    - Benefits paid out as of 5/15/2015 = $150,000
    - Assets remaining as of 5/15/2015 = $155,000

- As of date of application for Medicaid, $150,000 in benefits have been used on LTC policy

- $150,000 in assets owned by individual will not be counted in determining Medicaid eligibility
  - -Assets of spouse or those in excess of $150,000 are considered
  - -$5,000 will be countable in determining Medicaid eligibility

- $150,000 in assets owned by individual at death will be protected for estate recovery

# Medicaid – Fiscal Impact

- NC does not anticipate a fiscal impact for Medicaid
- Other states who recently implemented reported no fiscal impact-budget neutral
- No eligibility system changes needed at this time

# Recent Implementations – Surrounding States

- As of December 2009:
  - -Virginia – 9/1/07 implementation
  - -Tennessee – 10/1/08 implementation
  - -South Carolina – 1/1/09 implementation

None of these states have seen Medicaid applicants with LTCP policies to this point

## Underlying Purpose

- Individuals who can afford the policies will provide adequately for their care and not rely on Medicaid

- Delays application for Medicaid as these individuals purchase adequate rather than minimal coverage

**The time to increase awareness of long-term care planning is now!**

Carla S. Obiol, Deputy Commissioner
North Carolina Department of Insurance
Seniors’ Health Insurance Information Program (SHIIP)
919-807-6900
carla.obiol@ncdoi.gov

Carolyn McClanahan, Chief, Medicaid Eligibility Unit
North Carolina Department of Health and Human Services
919-855-4000
carolyn.mcclanahan@dhhs.nc.gov