

# **Positioning the Partnership**

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# Partnership History

- **Balance cost/quality trade-off**
- **Inflation Protected Quality**
- **Consumer education campaigns.**
- **Uniform reporting for insurers.**

# Deficit Reduction Act of 2005

- Signed by President, February 8, 2006
- Important provisions for long term care
- Promote LTC insurance market growth through both “carrot” and “stick” approach
- **Stick** = tougher to qualify for Medicaid
- **Carrot** = educate and motivate personal responsibility

# **DRA “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.**

# DRA Carrots

## **Expand Long Term Care Partnership initiative:**

- Allow expansion of concept to all states--States file a State Plan Amendment with CMS to participate
- Goal is to have reciprocity and uniformity --Encourage private responsibility!

## **Create National Clearinghouse for Long Term Care**

to provide education/motivation for private finance options

- Expand “Own Your Future” campaign to additional states over the next 5 years--Consumer website ([www.longtermcare.gov](http://www.longtermcare.gov))



# Key National Partnership Features

- Inflation protection required
  - Below age 61, undefined “compound annual inflation protection”
  - For ages 61-76 “some level of inflation protection”
  - Beyond age 76 no inflation protection required
- Agents and brokers must have Partnership training to be defined by states

# Key Provisions of Partnership Expansion

- **Participation**—states file Medicaid State Plan Amendment with HHS.
- **Uniformity**—States can NOT impose requirements on Partnership policies that are different from state requirements for non-Partnership plans.
- **Reciprocity**—HHS to determine rules but idea is that you can get “spend down protection” in one state even if you bought Partnership policy in different state. *States can opt out!*
- **Reporting**--HHS must develop insurer reporting requirements to central repository (registry)

# Partnership Basics

- **Objective** – reduce Medicaid LTC costs by encouraging people at risk for “spend down” (or who would otherwise transfer assets on purpose) to buy LTC insurance instead
- Reward people who buy Partnership Policy by providing some “back end” protection if they use up private coverage and still need LTC.
- “Reward” is that they can access Medicaid LTC benefits without meeting the usual asset “spend down” rules Medicaid requires
- **Additional Asset Disregard:** Get to keep \$1 of assets for every \$1 received in LTC benefits from your Partnership policy

# Partnership Provisions

- Existing LTC insured NOT grandfathered in, even if their policy has all components now required to be “Partnership” policy
- However, states are allowing “exchanges” although rules and insurer protocols may vary
- Additional agent training requirements to be determined by states
- Only benefit mandate (beyond what is included in TQ) pertains to inflation protection

# Partnership Caveats

- “LTC services you can receive under Medicaid may differ from services covered under your LTC policy”
- Protects (some) assets, but not income
- Medicaid can change list of what LTC services it will cover in the future
- Medicaid eligibility is not automatic – must meet general eligibility requirements as well as functional, income and asset thresholds

# Other Concerns

- Industry can't promise how much or what kind of reciprocity/portability there will be
- States can't promise that they will continue to maintain their Partnership programs in the future
- Learning curve for insurers & agents –different products, sales techniques, reporting requirements, disclosures
- Make sure insureds don't "fall through the cracks" when it is time to claim asset disregard

# Key Topics for Partnership Summit

- Messaging and Social Marketing
- Issues in cost-effectiveness
- Managing program risk for states, insurers, and agents
- Asset tracking and disregard calculations
- Policy certification processes
- Agent training requirements
- Policy exchanges
- Reciprocity of benefits/of agent training
- Inflation protection
- Issues in program uniformity
- Inflation protection is critical issue
- What “changes” result in loss of PQ status?