# Legislative Analysis

Mitchell Bean, Director
Phone: (517) 373-8080
http://www.house.mi.gov/hfa

**LTC INSURANCE PARTNERSHIP PROGRAM**

**House Bill 6478**
**Sponsor: Rep. Barb Vander Veen**
**Committee: Senior Health, Security, and Retirement**

**Complete to 9-18-06**

**A SUMMARY OF HOUSE BILL 6478 AS INTRODUCED 9-14-06**

House Bill 6478 would amend the Social Welfare Act to require the Department of Community Health, in conjunction with the Office of Financial and Insurance Services and the Department of Human Services, establish a long-term care partnership program in Michigan to provide for the financing of long-term care through a combination of private insurance and Medicaid. The LTC partnership program would be required to do all of the following:

**Provide incentives for individuals to ensure against the costs of providing for their long-term care needs.

**Provide a mechanism for individuals to qualify for coverage of the cost of their long-term care needs under Medicaid without first being required to substantially exhaust their resources.

**Alleviate the financial burden on the state's medical assistance program by encouraging the pursuit of private initiatives.

<u>Application to Federal Government</u>. Within 180 days after the effective date of the bill, the Department of Community Health would be required to apply to the U.S. Department of Health and Human Services for an amendment to the state's Medicaid state plan to establish that the assets an individual owns and can retain while still qualifying for benefits under Medicaid at the time of application for benefits are increased dollar-for-dollar for each dollar paid out under the individual's long-term care insurance policy if the individual is a beneficiary of a qualified long-term care partnership program policy.

<u>Eligibility</u>. An individual who is a beneficiary of a Michigan long-term care partnership program policy is eligible for assistance under the state's medical assistance program using the asset disregard as provided in the bill.

<u>Exhaustion of Benefits, etc.</u> Upon the exhaustion of benefits or the diminishment of assets below the anticipated remaining benefits under a long-term care partnership program policy, certain assets of an individual would not be considered when determining any of the following: Medicaid eligibility; the amount of any Medicaid payment; and any subsequent recovery by the state of a payment for medical services.

Program Discontinuation. If the Long-Term Care Partnership Program is discontinued, an individual who purchased a Michigan long-term care partnership policy before the date the program was discontinued would be eligible to receive asset disregard if allowed as provided by Title VI, Section 6021 of the Federal Deficit Reduction Act of 2005.

Reciprocal Agreements. The Department of Community Health could enter into reciprocal agreements with other states to extend the asset disregard to Michigan residents who purchased long-term care partnership policies in other states that are compliant with the Title VI of the Federal Deficit Reduction Act of 2005 and any applicable federal regulations or guidelines.

Counseling Services. The department could contract with a nonprofit organization to provide counseling services under the Michigan Long-Term Care Partnership program.

Rules. The Department of Community Health could promulgate rules under the Administrative Procedures Act to implement the partnership program in accordance with federal statutes, regulations, and guidelines.

Definitions. The bill would define **Asset Disregard** to mean, with regard to the state's medical assistance program, disregarding any assets or resources in an amount equal to the insurance benefit payments that are made to or on behalf of an individual who is a beneficiary under a qualified long-term care insurance partnership policy. **Long-Term Care Partnership Program** would be defined to mean a qualified state long-term care insurance partnership as defined in Section 1917 (B) of the federal Social Security Act. **Long-Term Care Partnership Program Policy** would mean a qualified long-term care insurance policy that the Commissioner of OFIS certifies as meeting the requirements of the federal Social Security Act, the federal Deficit Reduction Act of 2005, and any applicable federal regulations or guidelines.

Repealer. House Bill 6478 would repeal Section 112d of the Social Welfare Act, which refers to a previously enacted LTC partnership program never implemented.

## FISCAL IMPACT:

House Bill 6478 would amend the Social Welfare Act to establish the long-term care partnership program and details the operating parameters of the partnership. The program provides a financial incentive for individuals to purchase insurance in the private sector for their long term care needs in the form of an increased Medicaid "asset disregard." Under the bill, an individual would be able to retain assets equal to the policy amount and still qualify for Medicaid provided they meet all other Medicaid eligibility criteria.

Currently, the maximum amount of nonexempt assets that a single individual can retain and still qualify for Medicaid is $2,000. If an individual purchased a 4-year policy providing $200 per day of coverage, that policy could pay out $292,000 ($200 x 365 days x 4 years) providing $292,000 in asset protection under the proposed legislation.

Passage of House Bill 6478 could potentially result in lower state Medicaid costs for long-term care. The potential savings are unknown and would be determined by: the number of people who purchase long-term care partnership program policies, the amounts and terms of the policy coverages that are purchased, the number of people who purchased policies that would ultimately qualify for Medicaid, and when in the foreseeable future policy holders may begin drawing the insurance.

Due to the brief time that this program has operated nationally, comparisons with other state programs do not provide any definitive information on cost savings. Until recently, federal Medicaid law allowed only four states (California, Connecticut, Indiana, and New York) to operate partnership programs. The Deficit Reduction Act of 2005 now allows all states the option to enact partnership policies. Currently, 21 states have some form of enacted legislation authorizing long-term care insurance partnership programs.

The Michigan Medicaid program provided long-term care services to over 100,000 individuals at a cost of approximately $2.3 billion in FY 2004-05. Services are provided in a variety of settings including nursing homes, adult foster care facilities and home and community-based care. Nationally, long-term care services represented 31.5% of total Medicaid costs in 2005 (26.9% in Michigan).

Legislative Analyst: E. Best
Fiscal Analyst: Steve Stauff
Bill Fairgrieve