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Highlights

Highlights of GAO-07-231, a report to congressional requesters

LONG-TERM CARE INSURANCE

Partnership Programs Include Benefits That Protect Policyholders and Are Unlikely to Result in Medicaid Savings

Why GAO Did This Study

Partnership programs allow individuals who purchase Partnership long-term care insurance policies to exempt at least some of their personal assets from Medicaid eligibility requirements. In response to a congressional request, GAO examined (1) the benefits and premium requirements of Partnership policies as compared with those of traditional long-term care insurance policies; (2) the demographics of Partnership policyholders, traditional long-term care insurance policyholders, and people without long-term care insurance; and (3) whether the Partnership programs are likely to result in savings for Medicaid.

To examine benefits, premiums, and demographics, GAO used 2002 through 2005 data from the four states with Partnership programs—California, Connecticut, Indiana, and New York—and other data sources. To assess the likely impact on Medicaid savings, GAO (1) used data from surveys of Partnership policyholders to estimate how they would have financed their long-term care without the Partnership program, (2) constructed three scenarios illustrative of the options for financing long-term care to compare how long it would take for an individual to spend his or her assets on long-term care and become eligible for Medicaid, and (3) estimated the likelihood that Partnership policyholders would become eligible for Medicaid based on their wealth and insurance benefits.

www.gao.gov/cgi-bin/getrpt?GAO-07-231.

To view the full product, including the scope and methodology, click on the link above. For more information, contact John E. Dicken at (202) 512-7119 or dickenj@gao.gov.

What GAO Found

California, Connecticut, Indiana, and New York require Partnership programs to include certain benefits, such as inflation protection and minimum daily benefit amounts. Traditional long-term care insurance policies are generally not required to include these benefits. From 2002 through 2005, Partnership policyholders purchased policies with more extensive coverage than traditional policyholders. According to state officials, insurance companies must charge traditional and Partnership policyholders the same premiums for comparable benefits, and they are not permitted to charge policyholders higher premiums for asset protection.

Partnership and traditional long-term care insurance policyholders tend to have higher incomes and more assets at the time they purchase their insurance, compared with those without insurance. In two of the four states, more than half of Partnership policyholders over 55 have a monthly income of at least \$5,000 and more than half of all households have assets of at least \$350,000 at the time they purchase a Partnership policy.

Available survey data and illustrative financing scenarios suggest that the Partnership programs are unlikely to result in savings for Medicaid, and may increase spending. The impact, however, is likely to be small. About 80 percent of surveyed Partnership policyholders would have purchased traditional long-term care insurance policies if Partnership policies were not available, representing a potential cost to Medicaid. About 20 percent of surveyed Partnership policyholders indicate they would have self-financed their care in the absence of the Partnership program, and data are not yet available to directly measure when or if those individuals will access Medicaid had they not purchased a Partnership policy. However, illustrative financing scenarios suggest that an individual could self-finance care—delaying Medicaid eligibility—for about the same amount of time as he or she would have using a Partnership policy, although GAO identified some circumstances that could delay or accelerate Medicaid eligibility. While the majority of policyholders have the potential to increase spending, the impact on Medicaid is likely to be small because few policyholders are likely to exhaust their benefits and become eligible for Medicaid due to their wealth and having policies that will cover most of their long-term care needs.

Information from the four states may prove useful to other states considering Partnership programs. States may want to consider the benefits to policyholders, the likely impact on Medicaid expenditures, and the income and assets of those likely to afford long-term care insurance.

HHS commented on a draft of the report that our study results should not be considered conclusive because they do not adequately account for the effect of estate planning efforts such as asset transfers. While some Medicaid savings could result from people who purchase Partnership policies instead of transferring assets, they are unlikely to offset the costs associated with those who would have otherwise purchased traditional policies.