Strategy	**Long-Term Care Partnership Program**
Background:	Long-Term Care Partnership Program goals include improving access to affordable private sector long-term care insurance and reducing reliance on Medicaid funding for long-term care (LTC). The partnership program is designed to provide incentives both for insurers and consumers so more insurers offer affordable, quality LTC insurance, and more consumers purchase it. Under the partnerships, states provide Medicaid asset protection (both in their eligibility for Medicaid long-term care and in estate recovery) to individuals who purchase and utilize benefits from long-term care insurance policies that meet requirements of the Deficit Reduction Act of 2005 (DRA). When consumers purchase LTC insurance for defined coverage periods or amounts, their assets, in the amount of the eligible benefits paid through this policy, are not counted in the determination of Medicaid eligibility. This allows consumers to protect these assets instead of being required to spend these assets for long-term services and supports in order to meet financial eligibility criteria for Medicaid. Furthermore, with standardized, high quality, regulated benefits, consumers have more confidence in the products they are purchasing, and are more likely to purchase LTC insurance. This increases the market for LTC insurance and helps reduce costs and improve the stability of the LTC insurance market. Partnership programs are seen as one tool to help mitigate the anticipated trend in Medicaid LTC funding needs. Currently, there is heavy reliance on public funding for long-term care services and supports. Nationally, Medicaid is the largest payor for LTC, financing 35 percent of all costs. In Texas, Medicaid pays for 67 percent of all nursing facility care. With the anticipated aging of the population and the concomitant increased need for LTC, the cost to Medicaid for funding LTC is estimated to increase by 270 percent in current dollars by 2040. Interest in the feasibility and cost-effectiveness of long-term care insurance programs has developed over the past several decades as one way to help address Medicaid long-term services and supports costs. Examples of this interest include the following: • The DRA provides federal authority for states to pursue the LTC program. • The 79th Texas Legislature indicated its interest in partnership programs by requiring HHSC to evaluate the feasibility and cost-effectiveness of implementing a Long Term Care Partnership program, in Section 5, Senate Bill 1188, 79th Legislature, Regular Session, 2005. • The 79th Legislature, Regular Session, 2005, required Senate Interim Charge #2 – Health and Human Services Committee Joint Charge with State Affairs, which stated in part: "Study how to reduce dependence on Medicaid for the provision of long-term care by increasing use of long-term care insurance." • The Governor's Health Care Policy Council supports partnership programs in its partnership paper. • S.B. 22, 80th Legislature, Regular Session, 2007, requires implementation of a

Strategy	Long-Term Care Partnership Program
	partnership program in Texas with HHSC serving as the lead for this program, with assistance from the Department of Aging and Disability Services and the Texas Department of Insurance.
Other States:	In 1988 the Robert Wood Johnson Foundation sponsored state grants to help develop long-term care insurance programs. Four states currently operate such programs. As of 2005, over 172,000 partnership policies were active in the four states and states report increased consumer purchases of LTC insurance with the implementation of partnership programs.[1] The four original partnership states had the freedom to implement various types of asset protection models, including the dollar-for-dollar model, the total asset protection model and the hybrid model. In the dollar-for dollar model, assets are protected in the amount of the eligible benefits paid through the purchased policy. In the total asset protection model, all of the purchasers' assets are protected in the determination of Medicaid eligibility. Hybrid models allow the purchaser to choose between these two models in purchasing their long-term care insurance policy. The DRA now mandates use of the dollar-for dollar asset protection model. **California** California implemented a dollar-for-dollar partnership program in August 1994. In the California dollar-for-dollar model, there are two types of policies available: 1) policies that cover care only in a facility; and 2) those that cover care in various settings including at home, in the community, as well as facility care. All California Partnership policies must include the following: • Automatic inflation protection. • A deductible that must be met only once in a lifetime. • Care coordination to assist in planning and securing services. • Waiver of premiums while receiving care in a nursing home or residential care facility. • Interchangeable policy benefits so that care is customized to meet individual needs. **Connecticut** Connecticut implemented a dollar-for-dollar partnership program in March 1992. Connecticut partnership policies must provide the following consumer safety features: • Benefits automatically increase to account for inflation. • Policies must provide for a broad array of home and community-based services, in addition to nursing facility care, and include case management services to help coordinate, assess, and monitor services. • Option of shorter-term coverage.

[1] General Accounting Office (GAO) Overview of the Long-Term Care Partnership Program (GAO-O5-1021R).

Strategy	Long-Term Care Partnership Program
	• Five percent discount on nursing facility rates. • Agents and brokers who sell partnership LTC insurance (LTCi) policies must receive special training. **Indiana** Indiana implemented a hybrid model in May 1993. There are two types of policies available in the Indiana hybrid model: comprehensive and facility-only policies. A comprehensive policy includes nursing facility and home and community-based care. Facility-only policies provide coverage for only institutional care. Indiana partnership policies (both comprehensive and facility-only) must have: • Guaranteed asset protection for the policyholder. • Benefits that increase five percent compounded annually. • If covering home and community care, include: home health care, home health aide, attendant care, respite care, adult day care, and case management services. • Prior to selling, require insurance agents to receive 15 hours of training on LTC insurance and the Indiana LTC insurance program. • Require an adequate minimum daily benefit. • Incorporate more consumer protection and disclosure features than other policies. **New York** New York implemented a total asset protection model in April 1993. All New York partnership policies must have the following minimum benefits: • Coverage for at least three years of nursing facility care, six years of home care or a combination of the two (where two home care days equal one nursing home day). • $189/day coverage for nursing facility care; $95/day coverage for home care in 2006. • Inflation protection equal to five percent compounded annually. • Care management: information, referrals, consultation on service needs and benefits. • 14 days of respite care, renewable annually, to give the at-home caregiver some needed rest. • 30 extra grace days to pay the premium if the individual has designated someone to be notified if premiums are not paid on time. • Special consideration for adjustment of premiums/benefits in the event of a national LTC program. • Review of denied requests for benefit authorization on a case-by-case basis.

Strategy	Long-Term Care Partnership Program
	Cost-effectiveness It is difficult to determine whether existing partnership programs will save Medicaid money for a number of reasons. First, it is difficult to analyze the hypothetical situation of what costs would be under circumstances that do not exist. Second, there are a significant number of variables and behaviors affecting the outcome. Ultimately, if the partnership program causes a delay and reduction in use of Medicaid payments for LTC, it will save Medicaid money. If it accelerates use of Medicaid LTC, there will be additional costs. With the exception of the Congressional Budget Office, in general, recent analyses and information tend to indicate that partnership programs would either be cost-neutral or may have some long-term savings for Medicaid. Each of the states currently operating a partnership program believes this program results in cost avoidance to the Medicaid program. Connecticut conducts a thorough cost-effectiveness assessment through a conceptual model informed by survey data. As of 2005, Connecticut estimates total program savings of $3,042,755. This savings does not include costs to administer the partnership program. Before the DRA enactment, many state legislatures passed legislation authorizing Long-Term Care Partnership programs to be implemented in their states once federal permission was granted. Several of these states have begun planning for or implementing partnership programs, including the development or submission of the necessary State Plan Amendment. Some of these states include Pennsylvania, Virginia, Nebraska, Minnesota, Idaho, Maryland, and Missouri. Along with Texas, these states participate in technical assistance scan calls with federal Department of Health and Human Services.

Strategy	**Long-Term Care Partnership Program**
Application to Texas – Advantages & Disadvantages:	**Advantages:** • Potential to mitigate future Medicaid LTC expenditures. • Increased understanding and awareness of LTC insurance needs and options. • Supports personal responsibility and planning for future needs. • Improved access to quality LTC services. • Improved access to a full range of home and community-based services. • Supports development of a more robust, quality, affordable private LTC insurance benefit. • Facilitates private market support for the LTC infrastructure and providers to help support the growing numbers of those who will need some type of LTC assistance. **Disadvantages:** • Potential increased cost to the overall program, including administrative costs and Medicaid costs if purchasers' entrance to Medicaid eligibility is not sufficiently diverted or delayed.

Meets Medicaid Reform Goal(s):

Cost Reduction or Avoidance	X	Maximizes federal funds		Improves Program Sustainability	X	Consumer Choice/ Responsibility	X
Reduces Number of Uninsured		Supports Private Market Coverage	X	Improves Quality		Improves Access	
Benefit Options							

Populations Affected:	All Texans who may need long-term services and supports in the future could potentially be affected by the option to purchase long-term care insurance and protect their assets. In particular, the target population for the partnership program would be Texans aged 45 to 65, a total of almost 3 million Texans currently. Of primary interest would be middle income Texans who could afford LTC insurance premiums and would be likely to need Medicaid LTC in the absence of a partnership program.
General Revenue Impact:	Fiscal impact areas for all funds could include early costs for program development and investment. In the longer term, if successful, the program could help reduce Medicaid LTC costs as enrollees use private benefits in lieu of publicly funded LTC.

Other

Stand Alone Option	X	This Option should be considered in conjunction with other Medicaid Reform Strategy(ies)	**X**

<table>
<tr><td>Strategy</td><td colspan="6">Long-Term Care Partnership Program</td></tr>
<tr><td>Considerations</td><td colspan="6">While the partnership program could be a stand alone option, it could also be implemented in conjunction with other long-term care programs such as a “Texas Tomorrow” program for LTC, or a program granting stipends to lower income people to enable them to purchase LTC insurance.</td></tr>
<tr><td>State and Federal Approval(s) Required:</td><td>Federal</td><td>1115 Waiver</td><td></td><td>State</td><td>Rules</td><td>X</td></tr>
<tr><td></td><td></td><td>Other Waiver(s), [LIST]</td><td></td><td></td><td>Legislation</td><td>X</td></tr>
<tr><td></td><td></td><td>State Plan Amendment</td><td>X</td><td></td><td></td><td></td></tr>
<tr><td>Implementation Considerations & Timeframes:</td><td colspan="6">
<u>Affected Stakeholders</u>
• All people who could potentially access Medicaid for LTC.
• Providers of LTC.
• TDI and insurance agencies and agents.
• Department of Aging and Disability Services.
<u>Systems and Resource Considerations</u>
• Data systems within the enterprise will need modification.
• Staff dedicated to this program will be necessary.
<u>Other Considerations</u>
• Close collaboration between the Texas Department of Insurance (TDI), Department of Aging and Disability Services and HHSC is needed.
• Partnership should be crafted to target low and middle income Texans who would most likely utilize Medicaid for LTC. Further research to define the target population based on past Medicaid utilization will need to be conducted.
• Administrative costs of operating the program need to be included in any cost-effectiveness model of the program.
• Targeted outreach will be important so that people learn about and take advantage of this program.
<u>Implementation Timeframes (in months)</u>
• Due to the federal DRA requirements, the federal government’s plan to build a national data system, the need for a state plan amendment, rule changes, education of insurance agents, and TDI approval of qualified insurance policies, an implementation date of no earlier than March 2008 should be considered.
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