Joint Hearing of the Senate Committee on State Affairs and Senate Committee on Health and Human Services

Long Term Care Partnership Programs

October 17, 2006

Long Term Care (LTC) Partnership Programs

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Long Term Care Basics

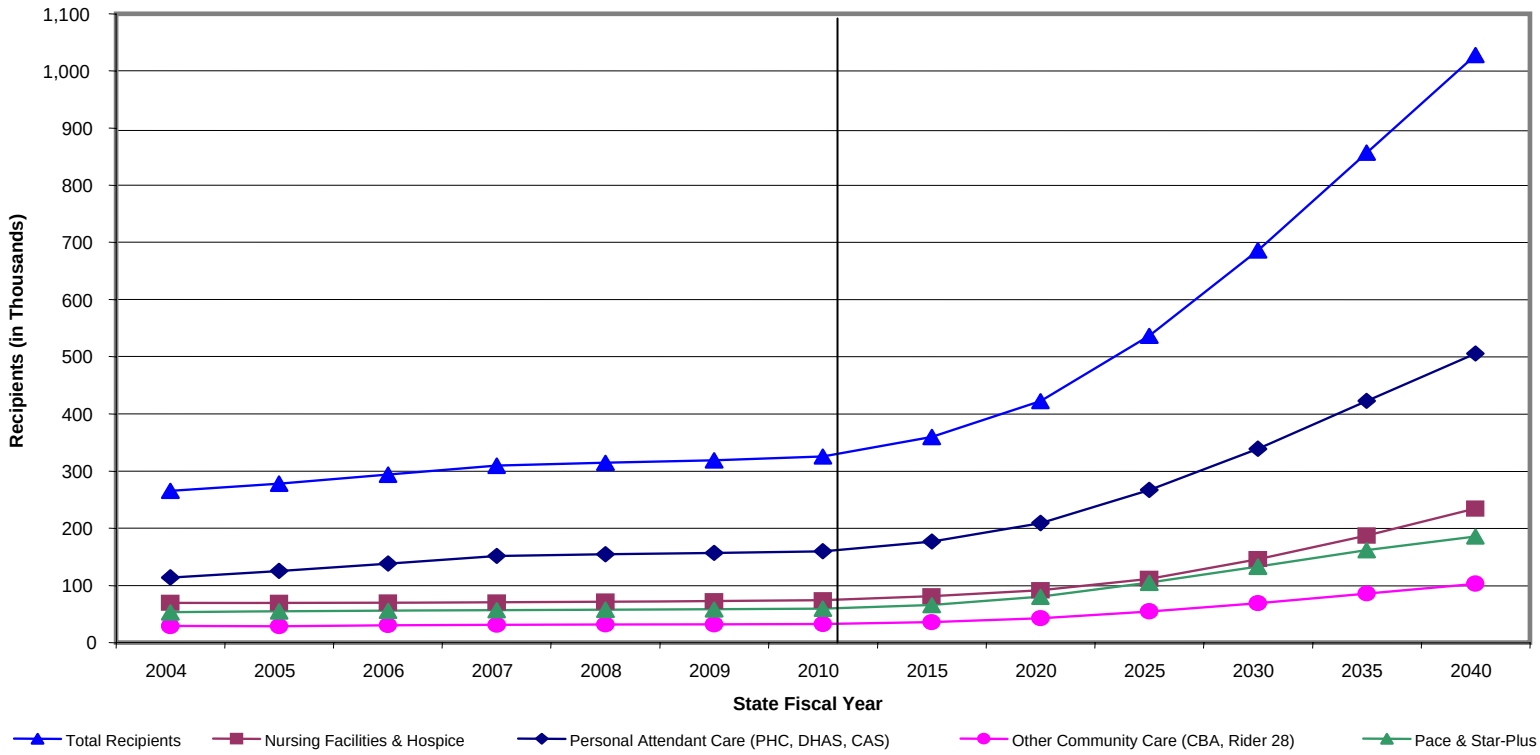
Long-term care (LTC) is defined in the Texas Human Resources Code (§22.0011) as:

- "…the provision of personal care and assistance related to health and social services, given episodically over a sustained period, to assist individuals of all ages and their families, to achieve the highest level of functioning possible, and regardless of the setting in which the assistance is given."
- The type of personal care services people who cannot care for themselves would need.
- LTC differs from traditional medical care, which treats physical problems directly in an attempt to permanently cure or control them.
- LTC services help a person maintain his or her ability to function, perform normal daily activities, or maintain a normal lifestyle.

Long Term Care Basics

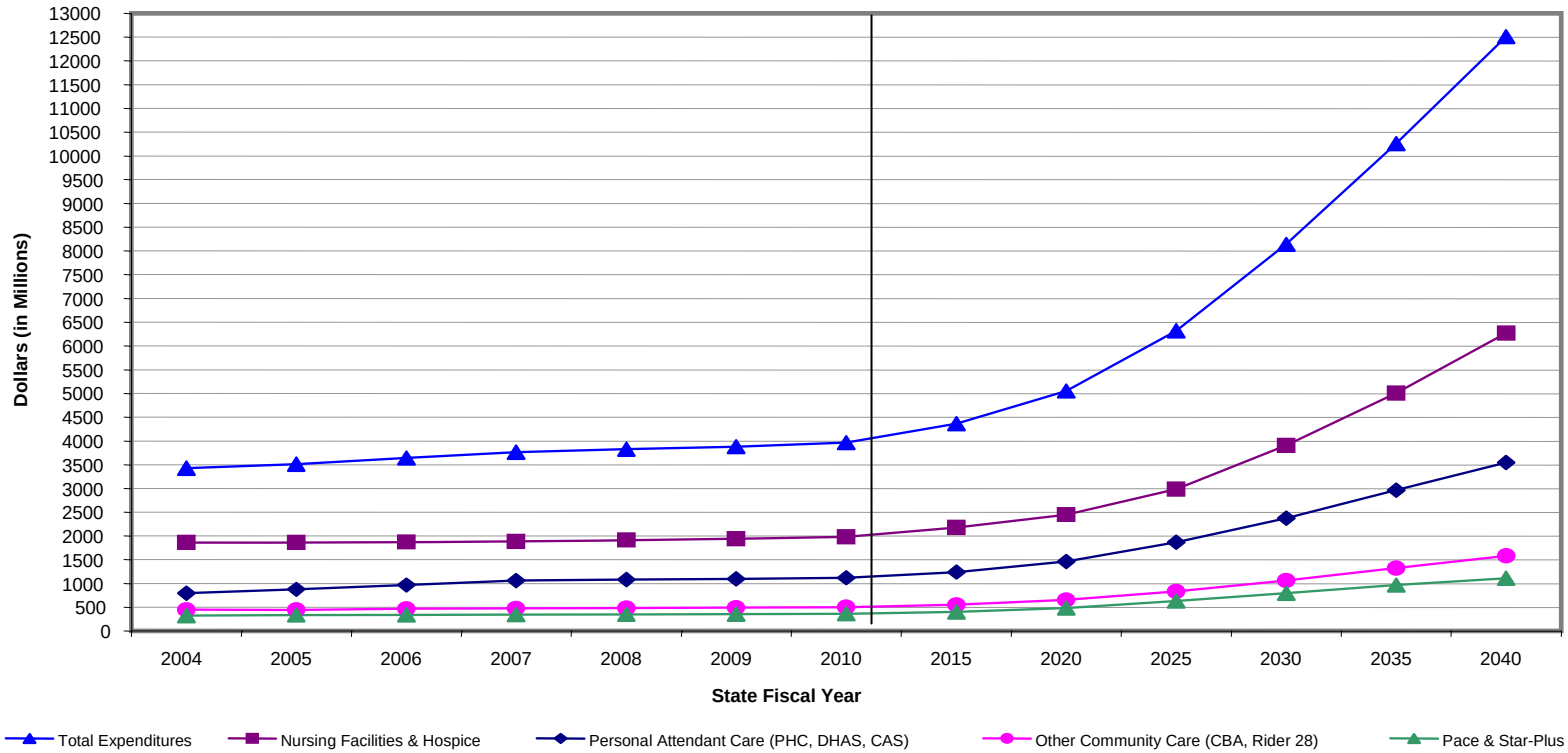
- Who Pays for Long Term Care?
  - Medicaid is the single largest payor of Long Term Care services in the nation
    - Pays for between 35 - 50 percent of all LTC
    - Pays for 67 percent of all nursing facility care in Texas.
    - Potential Medicaid savings if use of Medicaid is delayed or avoided.
  - Long term care insurance
  - Individuals out-of-pocket

Projected LTC Medicaid Recipients



Note: Data reflect the projected monthly average number of recipients.
Source: System Forecasting. Texas Health and Human Services Commission.

Projected LTC Medicaid Expenditures



Note: Projected expenditures are based on 2004 dollars.
Source: System Forecasting. Texas Health and Human Services Commission.

Medicaid and LTC Dynamics

- Interplay of Medicaid in the LTC system as a whole has not supported personal responsibility for future care needs planning
  - Medicaid coverage of LTC may serve as a disincentive to private purchase of LTC insurance or other financial planning options for LTC needs
  - Asset protection achieved through estate planning
    - Deficit Reduction Act includes some changes
- Denial and confusion about LTC needs, services and benefits
  - Some do not want to consider or plan for aging and related health and social support needs
  - Many believe Medicare will pay for LTC
    - 40% of those surveyed in 2000 according to Dept. of Aging survey
- For those who do not plan, Medicaid is a backup
- As a health and social service, LTC relatively unique in reliance on public sector funding – LTC services dependency on Medicaid

Partnership Programs

- To encourage the use of LTC insurance, Texas could implement a Partnership Program
  - Public-private partnership designed to encourage those with moderate income to purchase private LTC insurance to fund LTC instead of depending on Medicaid.
- Development began in 1987 through Robert Wood Johnson grants to states to:
  - Introduce public-private LTC model that may help shift more LTC financing to private sector by delaying or eliminating need for Medicaid LTC
    - Provides insurers with a form of “reinsurance” (i.e., Medicaid) for a challenging product
  - Avoid impoverishment as a criterion for Medicaid LTC eligibility
  - Create and support consumer protections and standards of quality for relatively new LTC insurance products
  - Encourage development and purchase of private sector LTC insurance products that are reliable, high quality, and more affordable

Benefits to Medicaid Program

- Partnership provides incentives for purchasing LTC insurance
  - Individuals who purchase qualified Partnership LTC insurance and eventually need LTC services, use insurance benefits before Medicaid.
  - If insurance benefits are exhausted, can protect some amount of assets from Medicaid spend down requirements. Still subject to income requirements.
  - When (and if) Partnership insurance is exhausted, individuals receive Medicaid LTC without having to spend down their protected assets

Asset Protection Models

- **Dollar-for-dollar**: Assets are protected up to the amount of the private insurance benefit paid.
  - Deficit Reduction Act requires this option for new programs.
- **Total Asset protection:** All assets are protected when a state-defined minimum benefit package is paid.
- **Hybrid**: Program offers both dollar-for-dollar and total asset protection. The type of asset protection depends on the initial amount of coverage purchased.

Early Implementation

- Four RWJ Grant States Implemented in the early 1990s
  - Connecticut – Dollar for dollar—30,834 active policies
    - Implemented March, 1992
  - New York—Total asset—47,539 active policies
    - Implemented April, 1993
  - Indiana—Hybrid– 29,189 active policies
    - Implemented May 1993
  - California – Dollar for dollar—64,915 active policies
    - Implemented August 1994

Federal Legislation

- Federal Legislation stopped states from implementing additional programs*
  - OBRA 1993 focus on estate recoveries prohibits asset protection
  - 21 states, anticipating changes in federal law, enacted legislation authorizing Partnership Programs.
  - The Deficit Reduction Act of 2005 allows states to implement Partnership programs

*Beyond the four original states with programs; Iowa and Massachusetts were grandfathered in

Partnership Policies

- Total applications received in the four states: 265,609
  - Denials: 42,311 (16%)
- Total active policies: 172,477 (81% of policies)
- Most are comprehensive covering facilities and community care (88 – 100%)
- Most purchased in the individual market (84 – 100%)
- Premiums vary by coverage duration and benefit value
- Purchase has increased significantly, with a decline or leveling in recent years

Program Demographics

- Average age at time of purchase: 58 – 63 years
  - Range is from 18- 96 years
- More policyholders are female (56-59%) and are married (70 – 78%)
- Most are first-time LTC insurance purchasers (92-95%)
- Majority of policyholders in California, Connecticut and Indiana have assets greater than $350,000
- About half have average annual income over $60,000

Policyholder Assets and Income *

Assets	California	Connecticut	Indiana
Over $350,000	53 %	54%	66%
$100,000 - $350,000	29%	34%	27%
Less than $100,000	18%	12%	1%*
Monthly Income			
Over $5000	61%	62%	49%
$2000 - $5000	35%	29%	49%
Less than $2000	4%	10%	2%

*New York Data Were Unavailable

Partnership Benefit Use

- Only 1.3% (2,761) of policy-holders have accessed LTC insurance benefits
  - 251 have exhausted their LTC insurance benefits
  - 119 (47% of those who exhausted) have accessed Medicaid
- 899 policy holders died while receiving benefits
- Per capita asset protection “earned” by those who exhaust private benefits: $73,028
  - By those who have accessed Medicaid: $69,380
  - By those who have not accessed Medicaid: $75,333

Financial Impact on Medicaid

- No conclusions regarding whether or not LTC Partnerships provide Medicaid savings
- Savings result if Medicaid LTC payments that otherwise would have been made are delayed, shortened or avoided because of the Partnership
- Costs result if use of Medicaid is increased or accelerated.
- Challenges in estimating impact:
  - Hypothetical situation with multiple behavioral, health, health system and market variables
  - Estimating 5 – 40 years out other variables make estimates challenging;
- CBO estimated $26 million federal funds cost for DRA Partnership program 2006 – 2011; concerned that policies replace private policies with no asset protection
- Partnership states report Medicaid savings
- GAO: It is difficult to determine whether and to what extent the Partnership Program has resulted in savings because of insufficient data to determine whether those who purchase insurance would have accessed Medicaid in the absence of the Partnership.

Financial Impact on Medicaid

- Connecticut program data
  - 12 years of experience; of 175,000 purchasers, only 86 people used Medicaid.
  - Survey data used to determine cost effectiveness;
  - 1/3 of purchasers surveyed said they purchased insurance in lieu of setting up a trust
  - Concludes program savings.

Financial Impact on Medicaid

Connecticut Model

	Would Not Have Transferred Assets	Would Have Transferred Assets
Would Have Purchased LTC Insurance	Category 1 POTENTIAL COST	Category 2 COST NEUTRAL
Would Not Have Purchased LTC Insurance	Category 3 COST NEUTRAL	Category 4 POTENTIAL SAVINGS

Financial Impact on Medicaid

Cost to Medicaid

Category 1: No asset transfer; would have purchased LTCi

Potential COST To Medicaid: Those who, without the Partnership, would have had LTCi and would not have transferred assets.

Without the Partnership, these individuals would use insurance, then their assets then be on Medicaid. With the Partnership, they use Partnership insurance, then Medicaid because assets are protected.

Savings to Medicaid

Category 4 – Asset Transfer, Would not have purchased LTCi

Potential SAVINGS to Medicaid: These who, without the Partnership, would not have had LTCi and would have transferred assets.

Without the Partnership, they would have quickly used Medicaid, because assets are transferred. With the Partnership, they use Partnership insurance, then Medicaid, delaying use of Medicaid.

Financial Impact on Medicaid

Cost Neutral

Category 2—Asset Transfer; Would have purchased LTCi

COST NEUTRAL to Medicaid: These individuals would have had LTCi and would have transferred assets. *Partnership replaces other LTCi; and asset protection replaces asset transfer. No change in Medicaid payment but assets protected.*

Category 3—No Asset Transfer, No LTCi

COST NEUTRAL to Medicaid: These individuals would not have had LTCi and would not transfer assets. *Partnership replaces asset use. No change in Medicaid payment but assets protected.*

Financial Impact on Medicaid

- Connecticut model is populated with survey and claims data
- Completed Claims to date: $23.5 million
  - Used Partnership benefits and either died or went on Medicaid. Partnership claims completed.
  - Completed Claims used to calculate average claim payout
- 2006 Random Sample Survey; 48% response; 379 individuals
- 24% of respondents in savings category: 24% of claims payout is gross savings -- $5.6 million
  - Reduced 47% because Medicaid pays less than private insurance--$2.9 million
  - Interest on assets saved generates income for payment in lieu of Medicaid: $92,000 to net $3.08 million in savings
- 11% are in potential cost category; however only 2 exhaust Partnership insurance and use Medicaid: 0.18%
  - 0.18% of claims payout is $42,357
- Net Medicaid savings estimated to be $3.043 million
- Additional revenue from premium taxes on Partnership policies: $1 million annually
  - Some Partnership policies may have been in lieu of other tax-generating non-Partnership policies

Financial Impact on Medicaid

- New York
  - Assessed potential cost-effectiveness based on the nursing facility payment source data
  - Designed program with goal to save Medicaid program money by requiring policies cover anticipated lengths of stay in nursing facilities
  - Preparing to perform cost effectiveness study.
- Indiana program data
  - Estimated savings of $10-12 million dollars

Financial Impact on Medicaid

- California
  - In 2003 conducted assessment of 9 of 19 individuals who accessed Medicaid and when they would have accessed Medicaid in absence of Partnership.
  - Concluded Medicaid cost savings of $437,085 for LTC facility costs for these individuals.
  - Estimated further savings if all 19 individuals were studied and other Medicaid costs were included.
- Impact in Texas?
  - Unknown

Administrative Costs

- New York
  - Estimated its costs at $350,000 per year over 10 years for start up, administration, staffing, outreach and related costs.
- Connecticut
  - Estimated initial costs of over $500,000 per year with current administrative costs at $300,000 per year
- Indiana
  - Estimates $180,000 for current operational expenses
- California
  - Estimates $1.1 million per year.

Considerations for Texas

- Partnership implementation, if pursued, should be part of a broad initiative including public-private sector, state agency coordination and extensive consumer outreach and education.
- State Plan Amendment (SPA)- HHSC would need to allow for the dollar-for-dollar asset protection for those who purchase a Partnership policy, in determining eligibility for Medicaid, and waiver of asset recovery for qualified purchasers.
- Cost benefit analysis should weigh administrative costs and potential savings estimate to the Medicaid program.