Indiana Partnership News Flash

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Letter from the Director

This newsletter is a combination of the 1st and 2nd quarter 2011 newsletters. Our intent for the 1st Quarter newsletter was to share firm details on the impact of health care reform on long term care. While discussions between the States and HHS continue daily and progress is being made, many issues are still in a state of flux. The CLASS Act office has been established yet several resolutions have been introduced to repeal the Act. Medicaid is also in intense discussion over funding issues and about the shift towards more community care for long term care services.

Health care reform has heightened scrutiny of rate increases and transparency for consumers. The Department of Insurance website will soon have a new feature, called "Rate Watch". Consumers will be able to access detailed information about rate increases requested and the Department's rate action.

The Topic Spotlight this month lists typical consumer questions and comments the Partnership Office receives each day. The Partnership website, www.longtermcareinsurance.in.gov, receives a tremendous amount of traffic weekly. To me this means consumers are become increasingly aware of long term care issues, yet need additional clarification and education from LTC professionals.

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Partnership Office Update

- **Long Term Care Legislation**
  H.B. 1015, which removes the current limitation on LTC commissions between first year and renewal commission, has moved to the full Senate. Renewal commissions will be determined based on commission paid in the first year. The requirement to pay at least 6 years of commission has not changed. Amendments have been introduced on the 2nd reading and the amended bill is still under discussion. April 29, 2011 is the final day for legislators unless a special session is called.

- **Personnel Changes**
  The DOI welcomes new employee, Karl Knable, ASA, MAAA, as our full-time Health Actuary. Karl has an extensive actuarial background and experience in a variety of insurance markets. He is familiar with the regulatory side having worked with the Department years ago as a contracted actuary. We will miss our longtime actuarial consultant, Keith Powell, who has been working with the Department over the last 25 years.

- **LTC Awareness Letter**
  The LTC mailer campaign will be renewed for another 2 year period. A slight increase in the cost of mailers due to higher postage costs is effective in April. The cost per 1,000 will increase by $5 from $510 to $515. The Partnership office is also exploring additional ways to educate consumers about long term care issues.

- **Partnership State Tax Deduction**
  State statute provides for a state tax deduction for premiums paid on an Indiana Partnership policy. This is a **tax deduction** which is different than a **tax credit.** A tax deduction reduces taxable income while a tax credit is a direct reduction in taxes owed. The deduction is described on page 20 of the IT-40 Booklet 2010. The amount of annual premium paid for a Partnership policy (combined amount for two spouses) is recorded on Schedule 2 of the tax form under #11 – Deductions. The deduction name, LTC Partnership Policy, uses Code 608. One way to determine if a LTC policy is a Partnership policy is to look for the boxed language which is required on 3 forms – first page of the policy, application, and outline of coverage. For the policy to qualify for the deduction, the boxed language should state the policy "qualifies …..for Medicaid Asset Protection." If the Department of Revenue requests verification, they are looking for the boxed language and may also request verification of premiums paid.

NATIONAL NEWS

❖ **Health Care Reform**

The CLASS Act, a long term care provision in the ACA, continues to be debated. On February 16th, the Secretary of HHS, Kathleen Sebelius, testified before the Senate Finance committee on the progress of the CLASS Act. Final program details are to be completed by October 2012.

Highlights from her comments included:

- Acknowledgement that CLASS is not sustainable in it's current form
- A former actuary with Genworth has been hired
- Many changes are under discussion to maintain program financial stability
- Premiums will have to be based on an annual increasing basis
- Eligibility requirements will be more defined
- Program will not be launched until actuarial concerns are resolved

❖ **National Partnership**

The State of New York is considering joining the National Reciprocity Agreement. California and New York are the 2 states out of the original 4 "grandfathered" Partnership states that currently do not participate in the National Reciprocity Agreement. This agreement provides portability for asset protection among states. If a Partnership policyholder applies for Medicaid eligibility in another state other than their home state, the asset protection under their policy could be honored by the other state on a dollar for dollar basis.

For example, an Indiana Partnership policyholder moves to Florida and exhausts benefits under their long term care policy. The policyholder then finds it necessary to apply to Medicaid, but wants to remain in Florida. That individual would apply to Florida Medicaid. If at the time of application, both Indiana and Florida have a reciprocity agreement with each other, Florida's Medicaid would honor the asset protection earned under the Indiana Partnership policy. The Reciprocity agreement honors asset protection on a **dollar for dollar basis only**. If an Indiana Partnership policyholder had a total asset protection policy, he would have to return to Indiana and apply for Indiana Medicaid to receive total asset protection.

❖ **Federal Employee LTC Benefit Plan**

Open enrollment is underway for Federal employees to enroll in the Federal Long Term Care Insurance Plan. The enrollment period runs from April 4, 2011 to June 24, 2011. This year is the first opportunity since 2002 for non-enrolled employees to enroll with abbreviated underwriting. The Federal LTC plan is not a Partnership policy.

Topic Spotlight

Common Questions & Misunderstandings

Q: What is considered "assets" under Medicaid eligibility?

A: When discussing assets or wealth, most people consider their paycheck or other income as part of their assets. For Medicaid eligibility, Medicaid does not consider "income" in the same category as an "asset". Typical sources of income applied to an individual's cost of care when applying to Medicaid include (not the complete list) –

> interest income, rental income, social security checks, pension income, annuities that have been annuitized, etc.

Q: After I use my Partnership LTC policy benefits, the State plan automatically pays for my care.

A. The State's plan for long term care is Medicaid. The purchase of a Partnership LTC policy provides an individual with financial protection for long term care services. A Partnership policy does not provide automatic eligibility for Medicaid. It does offer financial protection from Medicaid spenddown with Medicaid being the payor of last resort for long term care services.

Q: Are my Partnership LTC benefits only good in Indiana?

A. Benefits paid from a long term care policy are valid in any state. The portability of asset protection from one state to another depends on participation in a reciprocity agreement.

Q: Explain how asset protection works when two spouses share the same policy.

A. There are several issues to consider on how asset protection is earned when a couple purchases a Partnership policy or policies with a shared care rider. Asset protection is only earned by the person for whom benefits are paid. Asset protection cannot be earned by one spouse and then transferred to the other spouse. A policy that initially qualifies for total asset protection could provide total asset protection for only one spouse and dollar for dollar for the other. Also, depending on the amount of benefits paid out on each spouse, both spouses may only earn dollar for dollar asset protection. A total asset Partnership policy has to totally exhaust benefits before providing asset protection from Medicaid.

Q: Can I be a Medicaid recipient and still choose what services I want and facilities?

A. The bottom line is if government (Medicaid) is providing your health care and long term care services you no longer have total control over your healthcare decisions and choices. You must receive care from Medicaid approved providers and services covered by Medicaid.

Valuable Resource Information

As a LTC insurance professional, you can be an important resource for your clients and families. Below are helpful websites for long term care information.

A Place for Mom	www.aplaceformom.com
Areas on Aging	www.in.gov/fssa/da/3478.htm
CMS Caregiver Publication	www.medicare.gov/publications/pubs/pdf/11035.pdf
Indiana Dept. of Health	www.in.gov/isdh/23260.htm
Indiana Department of Insurance	www.in.gov/idoi
Indiana LTC Insurance (Partnership) Program	www.longtermcareinsurance.in.gov
IN LTC Ombudsman	www.in.gov/fssa/da3474.htm
MetLife Mature Market Institute	www.metlife.com/mmi
State Health Insurance Assistance Program (SHIP)	www.medicare.in.gov